

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: December 28, 2020

Findings Date: January 5, 2021

Project Analyst: Ena Lightbourne

Co-Signer: Lisa Pittman

COMPETITIVE REVIEW

Project ID #: G-11907-20

Facility: Novant Health Forsyth Medical Center

FID #: 923174

County: Forsyth

Applicant(s): Forsyth Memorial Hospital, Inc. d/b/a Novant Health Forsyth Medical Center
Novant Health, Inc.

Project: Add no more than 20 new acute care beds on the main campus (NH Forsyth), for a total of 785 acute care beds at Novant Health Forsyth, and 885 on the Novant Health Forsyth License, upon completion of this project and Project I.D. # G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus)

Project ID #: G-11915-20

Facility: North Carolina Baptist Hospital

FID #: 943495

County: Forsyth

Applicant(s): North Carolina Baptist Hospital

Project: Develop no more than 68 acute care beds pursuant to a need determination for a total of no more than 874 beds upon completion of this project and Project I.D. #G-8842-12 (develop 4 Burn ICU beds)

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-Both Applications

Need Determination

The 2020 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Application of the need methodology in the 2020 SMFP identified a need for 68 additional acute care beds in the Forsyth County service area. Two applications were submitted to the Healthcare Planning and Certificate of Need Section (“CON Section” or “Agency”) proposing to develop a total of 88 new acute care beds in Forsyth County. However, pursuant to the need determination, only 68 acute care beds may be approved in this review for Forsyth County. See the Conclusion following the Comparative Analysis for the decision.

Only qualified applicants can be approved to develop new acute care beds. On page 36, the 2020 SMFP states:

“A person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital that will provide:

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients, and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the following major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS), listed below... [listed on pages 36-37 of the 2020 SMFP].”*

Policies – There are two policies applicable to the review of the applications submitted in response to the acute care bed need determinations in the 2020 SMFP for the Forsyth County service area.

Policy *GEN-3: Basic Principles*, on pages 30-31 of the 2020 SMFP, states:

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

Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities* 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 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

Forsyth Memorial Hospital, Inc. d/b/a Novant Health Forsyth Medical Center and Novant Health, Inc., collectively referred to as “NH” or “the applicant,” operate Novant Health Forsyth Medical Center (NH Forsyth) an acute care hospital with 765 acute care beds. The applicant proposes to develop 20 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 785 acute care beds at NH Forsyth, and 885 on the Novant Health Forsyth License (NH Forsyth, NH Kernersville, and NH Clemmons) upon completion of this project and Project I.D. # G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus)

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in the Forsyth County service area.

Policy GEN-3. In Section B, pages 20-23, the applicant explains why it believes its application is consistent with Policy GEN-3. On pages 20-23, the applicant states:

“NH applies evidenced-based best practice methods to prevent medical errors by building accountability for finding and fixing system problems.

...

NH Forsyth provides services to all persons regardless of race, sex, age, religion, creed, disability, national origin, or ability to pay.

...

NH is maximizing value and ensuring quality in outcomes through value-based care delivery model.”

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. The policy imposes a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan. In Section B, page 24, the applicant describes the project’s plan to improve energy efficiency and conserve water. In Exhibit 11, the applicant provides Novant Health’s Sustainable Energy Management Plan (SEMP). It is described as a plan that focuses on opportunities to reduce consumption of electricity, natural gas, and water. On page 24, the applicant states that efforts to reduce consumption include:

- Assigning oversight to a Corporate Energy Manager
- Manage utility purchases and agreements
- Benchmarking portfolio efficiency by performing utility assessments
- Converting to more efficient equipment, environmentally preferable products, and practices
- Applying retro-commissioning strategies to Building Automation Systems and HVAC equipment

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in Forsyth County.
- The applicant adequately demonstrates that the proposal is consistent with *Policy GEN-3* and *Policy GEN-4* for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care services in Forsyth County.

- The applicant adequately documents how the project will promote equitable access to acute care services in Forsyth County.
- The applicant adequately documents how the project will maximize healthcare value for the resources expended.
- The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

North Carolina Baptist Hospital referred to as "NCBH" or "the applicant," operates North Carolina Baptist Hospital, an acute care hospital with 802 licensed acute care beds. The applicant proposes to develop 68 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 874 acute care beds at NCBH upon completion of this project and Project ID# G-8842-12 (develop 4 burn ICU beds).

Policy GEN-3. In Section B, page 25, the applicant explains why it believes its application is consistent with Policy GEN-3. The applicant states:

"The proposed project will increase physical acute care bed capacity at NCBH, and thus will improve access to cost-effective acute care inpatient bed services for residents of the identified service area and surrounding communities.

...

NCBH will establish and maintains the highest standards and quality of care, consistent with the standard that NCBH has sustained throughout its history of providing inpatient acute care.

...

NCBH will continue to comply with applicable federal civil rights laws, and does not discriminate on the basis of race, color, national origin, age, disability, gender, or sexual orientation."

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. The policy imposes a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan. In Section B, page 27, 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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in Forsyth County.
 - The applicant adequately demonstrates that the proposal is consistent with Policy *GEN-3* and Policy *GEN-4* for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care services in Forsyth County.
 - The applicant adequately documents how the project will promote equitable access to acute care services in Forsyth County.
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.
- (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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

The applicant proposes to develop 20 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 785 acute care beds at Novant Health Forsyth, and 885 on the Novant Health Forsyth License upon completion of this project and Project I.D. # G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus).

On page 33, the 2020 SMFP defines the service area for acute care beds as *“the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.”* The acute care beds are proposed to be located at Novant Health Forsyth which is in Forsyth County. Forsyth County is depicted as a single county service area in Figure 5.1. Thus, the service area for the proposed new acute care beds consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

NH Forsyth Historical and Project Patient Origin				
County	Last Full FY 1/1/2019-12/31/2019 CY 2019		Third Full FY of Operation following Project Completion 1/1/2026-12/31/2026 CY 2026	
	Patients	% of Total	Patients	% of Total
Forsyth	17,739	51.9%	19,659	51.9%
Surry	2,667	7.8%	2,956	7.8%
Stokes	2,459	7.2%	2,725	7.2%
Davidson	2,278	6.7%	2,525	6.7%
Yadkin	1,826	5.3%	2,024	5.3%
Davie	1,700	5.0%	1,884	5.0%
Guilford	882	2.6%	977	2.6%
Other NC Counties and other States*	4,648	13.6%	5,151	13.6%
Total	34,199	100.0%	37,901	100.0%

Source: Section C, pages 27-28

*Other includes other NC Counties with more than 10 patients in CY 2019

In Section C, page 29, the applicant provides the assumptions and methodology used to project its patient origin. On page 29, the applicant states:

“The past data is the best basis for projecting future patient origin for the additional acute care beds at this established hospital.”

The applicant’s assumptions are reasonable and adequately supported. The applicant based its projections on the historical patient origin of acute care discharges at NH Forsyth. The applicant assumes that this will be consistent with the patient origin for the first three years of the project because acute care patients will continue to reside in Forsyth and the other historical counties.

Analysis of Need

In Section C, pages 29-46, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services.

The Need for 68 Additional Acute Care Beds in the Forsyth Service Area in the 2020 SMFP (pages 30-34)

The applicant states that the proposed project fulfills the need for 20 of the available 68 additional acute care beds in Forsyth County, determined by the 2020 SMFP. The table below demonstrates the Forsyth County Growth Rate Multiplier (CGRM) used in the 2020 SMFP Acute Care Bed Need Methodology from FFY 2014-FFY 2018.

Forsyth County Acute Care Growth Rate Multiplier					
	FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018
Forsyth Acute Care Bed Days	414,908	434,820	434,909	439,997	448,486
Difference from Previous Year		19,912	89	5,088	8,489
Percent Change		4.80%	0.02%	1.17%	1.93%
County Growth Rate Multiplier*					1.0198

Source: Section C, page 31

* 1 + Four Year Average Percent Change

The applicant references Table 5A in the proposed 2021 SMFP to demonstrate that Novant Health Facilities' (NH System) CGRM in Forsyth County (1.0238) and the annual growth in NH System acute care days in each of the past three years has exceeded the current 2020 SMFP Forsyth County CGRM (1.0198). The applicant states that the 2018 SMFP projected that NH Forsyth County hospitals will provide 213,983 acute care bed days in FFY 2020, however, according to the proposed 2021 SMFP, NH Forsyth County hospitals have already exceeded this projection in FFY 2019, demonstrating the need for the proposed 20 acute care beds. The table below illustrates the actual growth of acute care beds days.

NH System Forsyth County Acute Care Growth Rate Multiplier					
	FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019
NH System Forsyth Acute Care Bed Days	207,721	208,426	212,714	217,868	228,111
Difference from Previous Year		705	4,288	5,151	10,243
Percent Change		0.34%	2.06%	2.42%	4.70%
County Growth Rate Multiplier*					1.0238

Source: Section C, page 33

* 1 + Four Year Average Percent Change

NH Forsyth's Need for 20 Acute Care Beds (pages 34-36)

In Section Q, Form C, the applicant projects 223,996 acute care bed days by the third full fiscal year of operation at NH Forsyth. The applicant uses its projections for the third year of operation to demonstrate the need for the 20 acute care beds at NH Forsyth. As part of its methodology, the applicant took in account the following service line changes unique to Forsyth County:

- When NH Clemmons began inpatient services in August 2017, NH began shifting the majority of NH Forsyth's Joint replacement cases to NH Clemmons.

In Section Q, Form C, pages 111-112, the applicant states that the approved Project #G-8165-08 included the transfer of 14 acute care beds from NH Forsyth to the newly acute inpatient surgical and acute care services at NH Clemmons with an expected completion date of May 31, 2022. Although the applicant expects a growth in joint replacement patient days due to growth and aging of the service area population, the applicant conservatively projects that patient days at NH Forsyth will be consistent with its CY 2019 days.

- In July 2019, NCBH opened a new birth center and began offering expanded women's health services. Maternal-fetal physicians moved their practice from NH Forsyth to NCBH when the NCBH birth center opened.

In Section C, pages 34-36, the applicant states that prior to July 2019, NCBH only offered obstetrics and neonatal services for a minimal number of the highest-risk pregnancies and NH Forsyth was the primary provider of obstetrics services in Forsyth County. Maternal-fetal physicians moved their practice from NH Forsyth to NCBH when the NCBH birth center opened. Using historical data of women's health acute care discharges for CY 2019, the applicant states that there was a 58% split of discharges by the end of CY 2019. In Section Q, page 113, the applicant expects the split of patients to be higher in the future but projects a 55% split by the end of the third year of operation. The applicant states that this assumption is reasonable, and conservative based on the fact that NH Forsyth began its own maternal-fetal program when the NCBH physicians transferred their practice and NH Forsyth added new maternal-fetal physician in August 2019.

The Need for More Than 20 Additional Acute Care Beds Within the NH System-Forsyth County (pages 41-42)

In Section Q, Form C, the applicant projects 247,151 acute care bed days by the third full fiscal year of operation on the NH Forsyth License (NH Forsyth-223,996, NH Clemmons-6,858, and NH Kernersville-16,297). The applicant uses its projections for NH Forsyth License and NH Medical Park, a separate licensed hospital, for the for the third year of operation to demonstrate the need for the 20 additional acute care beds at NH System in Forsyth County.

In Section C, pages 41-42, the applicant states that it begins its projections for NH Medical Park using its historical acute care discharges. The facility experienced a -2.8 CAGR between CY 2016-CY 2019. The applicant states that this decrease is due to the increased adoption of robotics and the Enhanced Recovery After Surgery (ERAS) programs. However, the applicant does not expect this decline to continue since the robotics and ERAS programs are fully implemented and the hospital is actively recruiting additional specialty physicians. The applicant projects a .5% per year growth in the acute care discharges at NH Medical Park and applies its own historical (CY 2019) average length of stay to project acute care patient days. Based on its assumptions and methodology outlined in Section Q, Form C, the applicant adds its projections for NH Medical Park to its projections for NH Forsyth License to demonstrate the need for 26 acute care beds with NH System-Forsyth County.

NH Forsyth License					NH Medical Park	NH System-Forsyth County
	NH Forsyth	NH Kernersville	NH Clemmons	NH Forsyth License Total		
CY 2026 Acute Care Days	234,115	16,297	6,858	257,270	2,603	259,873
ADC	641.4	44.6	18.8	704.8	7.1	712.0
Target Occupancy Factor	1.28	1.28	1.28	1.28	1.50	
Beds Needed	821	57	24	902	11	913
CY 2026 Licensed Beds	765	50	50	865	22	887
Surplus (-)/ Deficit (+)	56	7	-26	37	-11	26

Source: Section C, page 42

Total Area Population Growth (pages 43-45)

In Section C, page 44, the applicant identifies the primary service area as Forsyth County and the secondary service area as Surry, Stokes, Davidson, Yadkin, Davie, and Guilford counties. The applicant references data from the North Carolina Office of States Budget Management (NCOBM) to demonstrate the need for the proposed project based on the projected population growth in the primary and secondary service area. The applicant states that Forsyth County’s population is projected to grow by 5.5 percent from 2020 to 2026, while the secondary service area will grow by 5.6 percent. The applicant states that based on Novant Health internal data, Medicare accounted for 60 percent of acute care gross revenue in CY 2019. According to data from NCOBM, the 65+ population in the primary and secondary service area will increase by 18 percent by 2026.

Competitive Balance (page 45)

The applicant references Policy AC-3 of the 2020 SMFP to illustrate the competitive advantage Novant believes NCBH has over NH Forsyth. The policy states:

“Projects for which certificates of need are sought by Academic Medical Center Teaching Hospitals may qualify for exemption from the need determination of this document.”

On page 45, Novant states:

“NCBH...has two ways to obtain new acute care beds, operating rooms and other CON-regulated assets. It can apply for assets identified in the SMFP or it can apply for ‘exemption from provisions of need determinations of the North Carolina State Medical Facilities Plan’ under Policy AC-3.”

The applicant states that if both applications are conforming, “the NH Forsyth application should be favored in comparative review because NCBH has the alternative of obtaining a CON, under AC-3 and NH does not.”

The information is reasonable and adequately supported based on the following:

- There is a need determination for 68 Acute Care Beds in Forsyth County in the 2020 SMFP. The applicant proposes to develop 20 acute care beds in Forsyth County pursuant to the need determination in the 2020 SMFP.
- The applicant uses reasonable and clearly identified historical and demographic data to make assumptions with regard to identifying the population to be served.
- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the need the population to be served has for the proposed services.

Projected Utilization

In Section Q, Form C, pages 100 and 104 respectively, the applicant provides historical and projected utilization, as illustrated in the following tables.

NH Forsyth Historical and Projected Interim Utilization						
	Prior Full FY	Interim Full FY1	Interim Full FY2	Interim Full FY3	Interim partial FY4	Interim partial FY5
Total Acute Care Beds	CY 2019	CY 2020	CY 2021	CY 2022	1/1/2023-6/30/2023	7/1/2023-12/31/2023
# of Beds	723	723	723	709	709	729
# Admissions	34,199	32,933	33,711	34,508	17,662	17,663
# of Patient Days	194,890	193,471	198,244	203,138	104,077	104,078

Source: Section Q, Form C, page 100

NH Forsyth Projected Project Year Utilization			
	1ST FFY	2ND FFY	3RD FFY
Total Acute Care Beds	CY 2024	CY 2025	CY 2026
# of Beds	729	729	729
# Admissions	36,162	37,020	37,901
# of Patient Days	213,300	218,578	223,996

Source: Section Q, Form C, page 100

NH Forsyth License Historical and Projected Interim Utilization						
	Prior Full FY	Interim Full FY1	Interim Full FY2	Interim Full FY3	Interim partial FY4	Interim partial FY5
Total Acute Care Beds	CY 2019	CY 2020	CY 2021	CY 2022	1/1/2023-6/30/2023	7/1/2023-12/31/2023
# of Beds	809	809	809	809	809	829
# Admissions	39,741	38,795	39,911	41,066	21,131	21,131
# of Patient Days	210,467	209,969	215,700	221,609	113,850	113,850

Source: Section Q, Form C, page 104

NH Forsyth License Projected Project Year Utilization			
	1ST FFY	2ND FFY	3RD FFY
Total Acute Care Beds	CY 2024	CY 2025	CY 2026
# of Beds	829	829	829
# Admissions	43,499	44,781	46,110
# of Patient Days	233,981	240,461	247,151

Source: Section Q, Form C, page 104

In Section Q, pages 109-123, the applicant provides the assumptions and methodology used to project utilization, which is summarized below. To calculate its projections, the applicant used data from NCOSBM and IBM Watson Health (IBM).

Step 1: Inventory of Acute Care Beds

The applicant begins its projections by determining the current inventory of acute care beds in Forsyth County based on the most recent License Renewal Applications and service line changes unique to Forsyth County. The service line changes include the shifting of joint replacement cases from NH Forsyth to NH Clemmons, NCBH expansion of women’s services, and physicians shifting practices from NH Forsyth to NCBH’s newly opened birth center.

Acute Care Beds								
Location	2020 LRA FFY 2019	Calendar Year						
		2020	2021	2022	2023	2024	2025	2026
NH Forsyth License	865	865	865	865	865	865	865	865
• NH Forsyth	779	779	779	765*	765	765	765	765
• NH Kernersville	50	50	50	50	50	50	50	50
• NH Clemmons	36	36	36	50*	50	50	50	50
NH Medical Park	22	22	22	22	22	22	22	22
NH System-Forsyth County	887	887	887	887	887	887	887	887

Source: Section Q, page 110, Table 1A

Note: Licensed General Acute Care Beds. Excludes Psych, Rehab, Substance Abuse, IP Hospice and SNF

*14 Beds to be relocated from NH Forsyth to NH Clemmons, CON Project ID# G-8165-08

Acute Care Beds Excluding NICU								
Location	2020 LRA	Calendar Year						
		2020	2021	2022	2023	2024	2025	2026
NH Forsyth Acute Care Beds w/o NICU	779	779	779	765	765	765	765	765
NH Forsyth License Acute Care Beds w/o NICU	809	809	809	809	809	809	809	809

Source: Section Q, page 111, data from Table 1B

Step 2: Project NH Forsyth Acute Care Joint Replacement Patients

In Section Q, page 112, the applicant projects that the number of joint replacement patients will be consistent with NH Forsyth cases in CY 2019. Although the applicant expects its actual future joint replacement discharges at NH Forsyth will grow due to the growth and aging of the service area population and the completion of joint replacement patients shifting from NH

Clemmons to NH Forsyth, the applicant conservatively projects no change in discharges and patient days.

NH Forsyth	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024 PY1	CY 2025 PY2	CY 2026 PY3
Discharges	460	460	460	460	460	460	460	460
ALOS	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82
Days	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217

Source: Section Q, page 112, Table 3

Step 3: Project NH Forsyth Women’s Health Services Acute Care Patients

Using historical data of women’s health acute care discharges for CY 2019, the applicant states that there was a 58% split of discharges between NH Forsyth and NCBH by the end of CY 2019. In Section Q, page 113, the applicant projects that the split of patients will be higher in the future but projects a 55% split by the end of the third year of operation. The applicant states that this assumption is reasonable, and conservative based on the fact that NH Forsyth began its own maternal-fetal program when the NCBH physicians transferred their practice and NH Forsyth added a new maternal-fetal physician in August 2019.

Based on historical data from the IBM, the applicant states that 85 percent of women’s health discharges from NH Forsyth and NCBH in CY 2019 were from Forsyth, Davidson, Guilford, Davie, Surry and Stokes Counties. The applicant projects that the total women’s health discharges will grow at 1.1 percent through the third full year of operation. The applicant states that its projections are reasonable because the CAGR for the female population ages 15-44 from CY 2019 to CY 2026 is 1.1 percent for the counties that account for 85 percent of the women’s health discharges. The applicant projects the ALOS for women’s health discharges will be equal to the CY 2019 experience at NH Forsyth for this service, 3.01 days.

Women’s Health Historical Patient Origin						
Patient County	CY 2019 Women’s Health Discharges at NH Forsyth and NCBH Combined			Population Female Age 15-44		
	Discharges	% of Total	Cumulative %	CY 2019	CY 2026	2019-2026 CAGR
Forsyth	4,859	60.4%	60.4%	78,545	84,850	1.1%
Davidson	529	6.6%	67.0%	30,793	32,926	1.0%
Guildford	473	5.9%	72.9%	117,830	128,38	1.2%
Davie	381	4.7%	77.6%	7,668	8,225	1.0%
Surry	374	4.6%	82.2%	12,805	13,113	0.3%
Stokes	371	4.6%	86.8%	8,049	7,991	-0.1%
Other	1,063	13.2%	100.0%			
Total	8,050			255,690	275,485	1.1%

Source: Section Q, page 114, Table 5

Projected NH Forsyth Women's Health Services Acute Care Patients								
	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
NH Forsyth and NCBH Combined Discharges	8,050	8,139	8,229	8,320	8,412	8,505	8,599	8,694
Growth Rate		1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
NH Forsyth % split of Women's Health		55%	55%	55%	55%	55%	55%	55%
NH Forsyth Women's Health Discharge	6,451	4,476	4,526	4,576	4,627	4,678	4,729	4,782
ALOS	3.01	3.01	3.01	3.01	3.01	3.01	3.01	3.01
NH Forsyth Women's Health Days	19,427 [19,417]	13,473	13,623	13,774	13,927	14,081	14,234	14,394

Source: Section Q, page 114, Table 6
 Note: Project Analyst's total in brackets

Step 4: Project NH Forsyth NICU Acute Care Patients

The applicant's projections of acute care patients at NH Forsyth and NH Forsyth License for this application excludes the NICU service component. However, in Section Q, page 114, the applicant states that to demonstrate conformity with the performance standards, NICU projections are included in its methodology. The applicant states the NICU days accounted for 70.3 percent of women's health days and remained constant from CY 2016 to CY 2019. The applicant states that NICU days were not affected by the shift of women's health patients from NH Forsyth to the new NCBH birth center. The applicant projects the NH Forsyth NICU patient days based on the percentage of NICU days experienced in the last four years, as illustrated in the table below.

Projected NH Forsyth NICU Patient Days								
NH Forsyth	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Women's Health Days	19,427 [19,417]	13,473	13,623	13,774	13,927	14,081	14,234	14,394
NICU Days as % of Women's Health Days		70.3	70.3	70.3	70.3	70.3	70.3	70.3
NICU Days	13,758	9,472	9,577	9,683	9,791	9,899	10,007	10,119

Source: Section Q, page 115, Table 8
 Note: Project Analyst's total in brackets

Step 5: Project NH Forsyth Acute Care Days Unaffected by Shifts to NH Clemmons or NCBH

In Section C, page 36, the applicant describes Unaffected Acute Care services as all acute care patient discharges and days, excluding joint replacement, women's health and NICU, not affected by the shift of patients to NH Clemmons and NCBH. In Section Q, pages 115-116, the applicant describes its methodology in projecting acute care days unaffected by shifts to NH

Clemmons or NCBH. The table below illustrates NH Forsyth’s most recent historical experience of Unaffected Acute Care discharges, days and average length of stay.

NH Forsyth	CY 2016	CY 2017	CY 2018	CY 2019	2016-2019 CAGR
Discharges	25,293	26,005	26,490	27,288	2.6%
Annual Growth Rate		2.8%	1.9%	3.0%	
Days	154,549	156,643	162,030	173,246	3.9%
Annual Growth Rate		1.45	3.4%	6.9%	
ALOS	6.11	6.02	6.12	6.35	

Source: Section Q, page 116, Table 9

Based on its historical experience, the applicant projects NH Forsyth Unaffected Acute Care services patients, as demonstrated in the table below.

NH Forsyth	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Discharges	27,288	27,997	28,725	29,472	30,238	31,024	31,831	32,659
Growth Rate		2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
ALOS	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.35
Days	173,246	177,781	182,404	187,147	192,011	197,002	202,127	207,385

Source: Section Q, page 116, Table 10

Step 6: Calculate NH Forsyth Total Acute Care Patients

The applicant summarizes steps 2 to 5 to project the total acute care discharges and patient days, as demonstrated in the table below.

Projected NH Forsyth Total Acute Care Services Discharges and Days								
	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Acute Care Discharges								
Joint Replacement	460	460	460	460	460	460	460	460
Women's Health	6,451	4,476	4,526	4,576	4,627	4,678	4,729	4,782
Unaffected Acute Care	27,288	27,997	28,725	29,472	30,238	31,024	31,831	32,659
Subtotal Acute Care w/o NICU	34,199	32,933	33,711	34,508	35,325	36,162	37,020	37,901
Acute Care Days								
Joint Replacement	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217
Women's Health	19,427 [19,417]	13,473	13,623	13,774	13,927	14,081	14,234	14,394
Unaffected Acute Care	173,246	177,781	182,404	187,147	192,011	197,002	202,127	207,385
Subtotal Acute Care w/o NICU	194,890 [194,880]	193,471	198,244	203,138	208,155	213,300	218,578	223,996
NICU	13,758	9,472	9,577	9,683	9,791	9,899	10,007	10,119
Total Acute Care Days	208,648 [208,638]	202,943	207,821	212,821	217,946	223,199	228,585	234,115

Source: Section Q, page 117, Table 11
 Note: Project Analyst's total in brackets

In steps 7 and 8 of the applicant's methodology, the applicant projects acute care patients for the two remaining facilities under NH Forsyth License; NH Kernersville and NH Clemmons.

Step 7: Project NH Kernersville Acute Care Patients

The applicant states that NH Kernersville experienced a CAGR of 7.9 percent for acute care discharges and 8.5% for acute care days from CY 2016 to CY 2019. On pages 118, the applicant states that future growth is supported by the following:

- Addition of a new robotic surgery program
- Addition of a new EP cardiologist, breast surgeon and colorectal surgeon
- A breast imaging center opening in the near future
- The bariatric program partnership with Core Life, a health improvement and weight management company
- A tele-ICU program launching in summer 2020

The applicant states that 7.9 percent is a reasonable basis for its projections, however, it reduced the growth rate to 5.9 percent to demonstrate the need for the proposed project even in the event of an unrealistically low demand.

NH Kernersville	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Discharges	3,153	3,339	3,536	3,745	3,966	4,200	4,448	4,710
Growth Rate		5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
ALOS	3.46	3.46	3.46	3.46	3.46	3.46	3.46	3.46
Days	10,898	11,553	12,235	12,958	13,722	14,532	15,390	16,297

Source: Section Q, page 119, Table 13

Step 8: Project NH Clemmons Acute Care Discharges and Days

The applicant states that although NH Clemmons opened in late CY 2017 and had a CAGR of 122.4% between 2017 and 2019, its past growth is not a reasonable basis to project future growth. Due to similarities between NH Clemmons and NH Kernersville in size and service area population, the applicant uses NH Kernersville’s CAGR of 5.6 percent from CY 2013 to CY 2019 to project NH Clemmons acute care patients. On page 120, the applicant states that growth is supported by future expansion of services at the facility.

NH Clemmons	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Discharges	2,389	2,523	2,664	2,813	2,971	3,137	3,313	3,499
Growth Rate		5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
ALOS	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96
Days	4,679	4,945	5,221	5,513	5,823	6,149	6,493	6,858

Source: Section Q, page 120, Table 16

Step 9: Summarize NH Forsyth License Projected Acute Care Patients

The applicant summarizes steps 6 to 8 to project the total acute care volume for facilities under the NH Forsyth License, as demonstrated in the table below.

Projected NH Forsyth License Acute Care patients								
	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Acute Care w/o NICU								
Discharges	39,741	38,795	39,911	41,066	42,262	43,499	44,781	46,110
Days	210,467	209,969	215,700	221,609	227,700	233,981	240,461	247,151
Total Acute Care								
Days	224,225	219,441	225,277	231,292	237,491	243,880	250,468	257,270

Source: Section Q, page 121, Table 17

Step 10: Project NH Medical Park Acute Care Patients

The applicant projects patient discharges and days at NH Medical Park, a separately-licensed hospital, under NH System-Forsyth County. The applicant states that in the last two years, the facility has experienced a decline in acute care discharges and days due to the increase adoption of robotics and the ERAS program, which resulted is inpatient cases shifting to outpatient and

observation, resulting in shorter length of stays in CY 2018 and CY 2019. However, the applicant does not expect this decline to continue since the ERAS program is fully implemented. On page 121, the applicant states that it anticipates that acute care volume will grow steadily with the recruitment of additional surgeons who are expected to begin to their practice at NH Medical Park. The applicant projects a .5 percent per year growth in acute care discharges at NH Medical Park and applies its own historical CY 2019 ALOS to project acute care patient days.

NH Medical Park	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Discharges	835	839	843	848	852	856	860	865
Growth Rate		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
ALOS	3.01	3.01	3.01	3.01	3.01	3.01	3.01	3.01
Days	2,517	2,526	2,539	2,551	2,564	2,577	2,590	2,603

Source: Section Q, page 122, Table 19

Step 11: Project NH Forsyth County Need, According to the SMFP

The table below shows projected acute care days at each of the NH System-Forsyth County licensed hospitals. The applicant projects the need for 26 acute care beds in Forsyth County in the third project year, CY 2026.

Projected NH System-Forsyth County Acute Care Bed Need (All Facilities) 2020 SMFP Target Occupancy Factors by License						
	NH Forsyth License				NH Medical Park	NH System-Forsyth County
	NH Forsyth	NH Kernersville	NH Clemmons	NH Forsyth License Total		
CY 2026 Acute Care Days	234,115	16,297	6,858	257,270	2,603	259,873
ADC	641.4	44.6	18.8	704.8	7.1	712.0
Target Occupancy Factor	1.28	1.28	1.28	1.28	1.50	
Beds Needed	821	57	24	902	11	913
Licensed Beds	765	50	50	865	22	887
Surplus (-) / Deficit (+)	56	7	-26	37	-11	26

Source: Section Q, page 122, Table 20

The table below shows the total projected CY 2026 Acute Care Occupancy for NH System-Forsyth County.

	NH Forsyth License	NH Medical Park	NH System-Forsyth County
CY 2026 Acute Care Days	257,270	2,603	259,873
CY 2026 ADC	704.8	7.1	712.0
Licensed Beds + Proposed Additional 20 Beds	(887 + 20) 907		
CY 2026 Occupancy	78.5%		

Source: Section C, page 54

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

- There is a need determination in the 2020 SMFP for 68 acute care beds in the Forsyth County.
- The applicant relies on its historical utilization in projecting future utilization.
 - NH Forsyth's discharges and patient days of acute care joint replacement patients in CY 2019
 - NH Forsyth and NCBH discharges of women's health acute care patients in CY 2019
 - NH Forsyth's discharges, days of care and average length of stay of Unaffected Acute Care services from CY 2016 to CY 2019
 - NH Kernersville's and NH Medical Park's CAGR of acute care discharges and days of care from CY 2016 to CY 2019
- The applicant's projected utilization meets the performance standard promulgated in 10A NCAC 14C .3801.

Access to Medically Underserved Groups

In Section C, page 50, the applicant states:

“The additional acute care beds will increase the physical capacity of NH Forsyth to deliver care. The increased capacity will be available to all physicians and patients using NH Forsyth. NH makes services accessible to indigent patients without the regard to ability to pay. NH Forsyth provides services to all regardless of race, sex, age, religion, creed, disability, national origin, or ability to pay.”

In Section C, page 51, applicant provides the estimated percentage of patients for each medically underserved group to be served, as shown in the following table.

Medically Underserved Groups	% of Total Patients
Racial and ethnic minorities	39%
Women	59%
Persons with Disabilities	na
The elderly	34%
Medicare beneficiaries	55%
Medicaid recipients	11.3%

On page 51, the applicant states that NH does not keep data on handicapped persons or low income persons.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services.

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 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 describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services and adequately supports its assumptions.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

The applicant proposes to develop 68 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 874 acute care beds at NCBH upon completion of this project and Project ID# G-8842-12 (develop 4 burn ICU beds).

On page 33, the 2020 SMFP defines the service area for acute care beds as “*the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.*” Thus, the service area for the proposed new acute care beds consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

North Carolina Baptist Hospital Historical and Project Patient Origin				
County	Last Full FY 7/1/2018-6/30/2019 FFY 2019		Third Full FY of Operation following Project Completion 7/01/2025-6/30/2026 FFY 2026	
	Patients	% of Total	Patients	% of Total
Forsyth	10,847	29.4%	12,329	29.4%
Davidson	3,690	10.0%	4,193	10.0%
Guilford	2,730	7.4%	3,103	7.4%
Wilkes	1,623	4.4%	1,845	4.4%
Surry	1,550	4.2%	1,761	4.2%
Iredell	1,402	3.8%	1,594	3.8%
Davie	1,328	3.6%	1,510	3.6%
Randolph	1,328	3.6%	1,510	3.6%
Catawba	1,254	3.4%	1,426	3.4%
Stokes	1,070	2.9%	1,216	2.9%
Yadkin	849	2.3%	964	2.3%
Rockingham	738	2.0%	839	2.0%
Rowan	738	2.0%	839	2.0%
Caldwell	664	1.8%	755	1.8%
Alexander	443	1.2%	503	1.2%
Ashe	369	1.0%	419	1.0%
Watauga	332	0.9%	377	0.9%
Burke	295	0.8%	335	0.8%
Alleghany	295	0.8%	335	0.8%
Other NC* Counties	2,029	5.5%	2,306	5.5%
Virginia	2,214	6.0%	2,516	6.0%
Other States	1,107	3.0%	1,258	3.0%
Total	36,896	100.0%	41,934	100.0%

Source: Section C, pages 30 and 32

*Includes all other NC Counties, each of which represents <1% of total patient origin

In Section C, page 33, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported. The applicant based its projections on the most recent historical acute care bed origin and does not anticipate any significant change as a result of the proposed project.

Analysis of Need

In Section C, pages 33-50, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services.

2020 SMFP Acute Bed Methodology (pages 34-35)

Application of the need methodology in the 2020 SMFP identified a need for 68 additional acute care beds in the Forsyth County service area by 2022. The applicant states that the need

is triggered by the utilization of the existing acute care beds at NCBH, as illustrated by Table 5A in the 2020 SMFP.

Population Growth and Aging (pages 36-43)

The applicant identifies NCBH’s primary service area as the area consisting of Forsyth, Davidson, Guilford, Wilkes, Surry, Iredell, Davie counties. The secondary service area is identified as a 12-county region contiguous to the primary service area. The applicant states that 62.7% of inpatient admissions at NCBH have patient origin in the primary service area and 22.8% in the secondary service area, which accounts for over 2.4 million people.

The applicant references data from NCOSBM to illustrate the projected growth in population in the service, particularly the 65+ population. On page 42, the applicant states that this population has a greater increase in hospital admissions in comparison to other age groups. According to NCOSBM, the 65+ population will experience a CAGR of 2.90% in the primary service area and 2.30% in the secondary service area between 2020 and 2026. As illustrated in the table below.

Year	2020	2026	CAGR
Primary Service Area	250,102	296,897	2.90%
Secondary Service Area	182,717	209,429	2.30%
Combined	432,819	506,326	2.65%

Source: Section C, page 39

On page 43, the applicant states the growth and aging of the population supports the need for the 68 additional acute care beds.

Forsyth County Economic Development (pages 43-44)

According to an article published July 2019¹, Forsyth County has experienced significant economic development in recent years. For example, the average annual wage increased by 14.2% since 2012. Forsyth County’s employment rate of 2.4% is above average in North Carolina and the County has hit a 10-year high in new construction in 2018 totaling more than \$700 million of investment. On page 44, the applicant states that given the ongoing population growth and economic development, it is “essential” for Forsyth County to prepare from a healthcare infrastructure standpoint. The applicant states that the proposed project will insure a solid foundation for the additional residents and jobs that will continue to migrate to Forsyth County.

Forsyth County Health Status (pages 44-45)

On page 45, the applicant states that Forsyth County ranks 34th out of 100 counties in Health Outcomes and 45th out of 100 counties in Health Factors such as smoking, obesity and teen births. The applicant provides supporting documentation in Exhibit C.4. The applicant states

¹ <https://www.winstonsalem.com/2019/07/moving-forward-together-a-whitepaper-on-the-winston-salem-forsyth-county-economy/>

that as part of WFBH, NCBH periodically develops a Community Health Need Assessment (CHNA) to identify health issues and implement strategies to address the needs of the community. The applicant states that the proposed project is an important component of NCBH’s action plan to address these needs, as the additional bed capacity will generally increase availability of and access to acute care services.

Case Mix Index and Average Length of Stay (pages 45-47)

The applicant states that the patient population at NCBH continues to become more complex, as simpler procedures and management move increasingly to outpatient settings. NCBH’s Case Mix Index (CMI)² reflects increasing inpatient clinical complexity resulting in an increase in acute care bed ALOS. The applicant states that NCBH’s CMI increased by 5.5% between FY 2015 and FY 2019 and the ALOS for acute care beds has increased from 5.74 days in FY 2015 to 6.02 days in FY 2020 YTD. The applicant states that the proposed project is needed in order to accommodate this increasing inpatient complexity.

Academic Medical Centers vs. Community Hospitals (pages 47-48)

To demonstrate the need for the proposed acute care beds at NCBH, an academic medical center, the applicant compares the growth of North Carolina’s academic medical centers and community hospitals’ inpatient days, as illustrated in the table below.

Inpatient Days of Care						
Hospitals	2015	2016	2017	2018	2019	CAGR
AMCs	1,250,438	1,241,670	1,333,205	1,306,105	1,346,239	1.86%
All Others	3,114,449	3,100,729	3,092,396	3,183,248	3,266,154	1.20%
Combined	4,364,887	4,342,399	4,425,601	4,489,353	4,612,393	1.39%

Source: Section C, page 47

The table above reflects a higher growth in inpatient days of care at North Carolina’s academic medical centers in comparison to non- academic medical centers.

Bed Utilization and Average Daily Census (pages 48-49)

The applicant states that NCBH has exceeded the CON performance standard for acute care beds of 75.2% each year during the three most recent full fiscal years. The following table is a based on NCBH’s license renewal applications from 2018 to 2020.

NCBH	FY 2017	FY 2018	FY 2019
Acute Care Admissions	36,773	36,318	36,896
IP DOC	223,776	232,345	226,388
ADC	613	636	620
Licensed Acute Care Beds	802	802	802
% Occupancy	76.4%	79.3%	77.3%

Source: Section C, page 49

² <https://healthdata.gov/dataset/case-mix-index>

The applicant states that NCBH must continue to renovate, modernize, and expand its existing hospital facility to respond to the growing demand.

WFBH Strategic Growth Plan and Physician Network Growth (page 50)

The applicant states that as part of their strategic growth plan and physician network growth, WFBH actively recruits physicians in specialties when there is a demonstration of need. The applicant projects the number of admitting physicians will continue to increase and generate additional referrals and demand for acute care services at NCBH. The applicant states that the physician recruitment and network growth of WFBH supports the need for 68 additional acute care bed at NCBH.

Projected Utilization

In Section Q, the applicant provides historical and projected utilization, as illustrated in the following tables.

NCBH Historical and Projected Interim Utilization					
	Prior Full FY	Interim Full FY1	Interim Full FY2	Interim Full FY3	Interim Full FY4
Total Acute Care Beds	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
# of Beds	802	802	806	820	870
# Admissions	36,896	39,031	39,657	40,293	40,940
# of Patient Days	226,388	235,127	238,900	242,734	246,629

Source: Section Q, Form C

NCBH Projected Utilization for Projected Years			
	1ST FFY	2ND FFY	3RD FFY
Total Acute Care Beds	FY 2024	FY 2025	FY 2026
# of Beds	870	874	874
# Admissions	41,269	41,600	41,934
# of Patient Days	248,610	250,606	252,618

Source: Section Q, Form C

In Section Q, pages 116-119, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: Identify Historical NCBH Acute Bed Utilization

The following table illustrates NCBH’s historical acute care bed utilization for FY2017-FY2020. NCBH inpatient acute care bed admissions increased by 6.14%, or a CAGR of 2.01%.

NCBH Historical Acute Care Bed Utilization*				
NCBH	FY 2017	FY 2018	FY 2019	FY 2020**
Acute Care Admissions	36,773	36,318	36,896	39,031
IP DOC	223,776	232,345	226,388	235,127
% Occupancy	76.4%	79.3%	77.3%	80.3%
ALOS	6.09	6.40	6.14	6.02

Source: Section Q, page 116

*NCBH License Renewal Applications, NCBH Internal Data

**FY 2020 based on actual July 2019-March 2020 acute care admissions and days of care, annualized for 12 months. NCBH did not use data beyond March due to anomalous impact of COVID-19.

Step 2: Project NCBH Acute Bed Utilization During Interim Project Years

The applicant projects acute care bed inpatient volumes during interim project years (FY 2021-FY 2023) will increase at 1.61% or 80% of the 3-year historical acute care admissions CAGR 2.01%. Based on the acute care bed occupancy averaging 80.3% FY 2020, the applicant states that existing, licensed acute care beds are operating above practical capacity. The applicant states that NCBH does not propose to develop intensive care beds or other new services as the part of there project, therefore, its projections are based on the ALOS of 6.02 days.

NCBH Projected Acute Care BED Utilization, FY 2021-FY 2023			
NCBH	FY 2021	FY 2022	FY 2023
Acute Care Admissions	39,657	40,293	40,940
IP DOC	238,900	242,734	246,629
ADC	654	665	675
Licensed Acute Care Beds	806	820	870
% Occupancy	81.2%	81.0%	77.6%
ALOS	6.02	6.02	6.02

Source: Section Q, page 117

Step 3: Project NCBH Acute Care Utilizations During Project Years 1-3

The applicant conservatively projects an annual growth rate of 0.8% in acute care bed utilization during FY2024-FY2026, based on the projected population growth rate for NCBH's combined primary and secondary service area, as described in the applicant's demonstration of need. The applicant states that its projections are reasonable, and conservative given the significant increase in the population age 65+ in NCBH's primary and secondary service areas and the impact of age on hospital inpatient bed admissions.

NCBH Projected Acute Care BED Utilization, FY 2024-FY 2026			
NCBH	FY 2024	FY 2025	FY 2026
Acute Care Admissions	41,269	41,600	41,934
IP DOC	248,610	250,606	252,618
ADC	681	686	692
Licensed Acute Care Beds	870	874	874
% Occupancy	78.2%	78.5%	79.1%
ALOS	6.02	6.02	6.02

Source: Section Q, page 118

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

- There is a need determination in the 2020 SMFP for 68 acute care beds in the Forsyth County.
- The applicant relies on its historical utilization in projecting future utilization.
- The applicant's projected utilization meets the performance standard promulgated in 10A NCAC 14C .3801.

Access to Medically Underserved Groups

In Section C, page 56, the applicant states:

“All Forsyth County residents (plus residents of other counties), including low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, Medicare and Medicaid beneficiaries, other underserved groups, will have access to NCBH proposed additional acute care beds, as clinically appropriate.”

In Section L, page 99, the applicant provides the projected payor mix for the third full project year, as shown in the following table.

NCBH Projected Payor Mix CY 2026	
Payor Category	Acute Care Bed Services as % of Total
Self-Pay	5.9%
Medicare*	46.0%
Medicaid*	23.6%
Insurance*	18.8%
Workers Compensation	0.6%
TRICARE	0.5%
Other (specify)	4.6%
Total*	100.0%

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

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services. In Section L, pages 95-96, the applicant provides the percentage of total patients served by patient demographics.

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 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 describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services and adequately supports its assumptions.

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

NA-Both Applications

Neither of the applicants propose to reduce or eliminate or relocate a facility or service. Therefore, Criterion (3a) is not applicable to any applications in this review.

- (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.

C-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

The applicant proposes to develop 20 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 785 acute care beds at Novant Health Forsyth, and 885 on the Novant Health Forsyth License upon completion of this project and Project I.D. # G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus).

In Section E, pages 61-62, 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:

Not Applying for Acute Care Beds: The applicant states that this alternative was rejected based on their projections of acute care patient days outlined in the application.

Filing an Application for a Different Number of Acute Care Beds: The applicant states that filing an application for a different number of acute care beds would not meet the projected

demand for inpatient services. The applicant states that the number of beds proposed in the application is conservative and less than the projected need for the planning period.

Relocating Beds from Another NH Facility: The applicant states that relocating beds from NH Clemmons would be counterproductive and ineffective since the facility has recently opened and its patient population is still growing. In addition, the hospital is still ramping up its acute care census. The applicant states that NH Medical Park outpatient surgeries require overnight monitoring due to the age and/or co-morbid conditions of the patients. Therefore, the facility needs to capability and the flexibility to admit these patients.

On page 61, the applicant states that its proposal is the most effective alternative because it meets the need of the projected growth of acute care patient days.

The applicant provides supporting documentation in Section Q, Form C.

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

- 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

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

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

The applicant proposes to develop 68 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 874 acute care beds at NCBH upon completion of this project and Project ID# G-8842-12 (develop 4 Burn ICU beds).

In Section E, pages 66-68, 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/Pursue No Additional Acute Care Beds-The applicant states that maintaining the status quo is not an effective alternative based on the following:

- Acute care bed utilization rates are already at 80.3% and are expected to increase by FY 2026.

- NCBH's inability to timely place all acute care patients in a bed without the increased acute care bed capacity
- Without increased acute care bed capacity, patients may have to be redirected or endure long wait times in the emergency room.
- Delay in surgical cases and delivery of treatment because inpatient beds are not available
- NCBH would have limited options to accommodate future growth

Develop Fewer Additional Acute Care Beds at NCBH-The applicant states that this is not an effective alternative because fewer beds would not adequately meet operational needs and because NCBH's utilization generated the 2020 SMFP need determination for 68 additional acute care beds in Forsyth County.

Establish a New NCBH Campus, or a separately Licensed Hospital with 68 Acute Care Beds-The applicant states that although the development of an additional NCBH campus would provide increased accessibility to Forsyth County residents, the construction of new hospital would be extremely costly. The applicant states that the development of the proposed project in an existing facility would be more cost effective.

Develop the Project as Proposed-The applicant states that the proposed project is the most reasonable, cost-effective, and timely option for alleviating the capacity constraint at NCBH and identified in the 2020 SMFP.

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

- 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

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

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

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

The applicant proposes to develop 20 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 785 acute care beds at Novant Health Forsyth, and 885 on the Novant Health Forsyth License upon completion of this project and Project I.D. # G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus).

Capital and Working Capital Costs

In Section Q, page 127, the applicant projects the total capital cost of the project, as shown in the table below.

Novant Health Forsyth Medical Center Capital Costs	
Constructions/Renovation Contract(s)	\$6,705,553
Architecture/Engineering Fees	\$440,429
Medical Equipment	\$803,951
Furniture	\$495,362
Consulting Fees (CON Consultant)	\$126,000
Information Technology	\$405,013
Low Voltage (nurse call, overhead paging, CATV)	\$525,000
Security	\$98,095
DHSR Review Cost	\$12,000
Special Inspection	\$15,000
Project Contingency	\$947,340
Total	\$10,573,743

In Section Q, page 128, the applicant provides the assumptions used to project the capital cost.

The applicant states that the proposed acute care beds will be part of NH Forsyth’s existing inpatient program and offer the same type of acute care services that will be offered with the proposed beds. Therefore, there are no start-up or initial operating expenses.

Availability of Funds

In Section F, page 63, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Novant Health, Inc,	Total
Loans	\$	\$
Accumulated reserves or OE *	\$ 10,573,743	\$ 10,573,743
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$ 10,573,743	\$ 10,573,743

* OE = Owner's Equity

Exhibit F.2-1 contains a letter, dated June 24, 2020, from the Senior Vice President of Operational Finance for Novant Health, Inc. authorizing the use of accumulated reserves for the capital needs of the project. Exhibit F-8 contains Consolidated Balance Sheets from Novant Health, Inc., for year ending December 31, 2019, showing that Novant Health, Inc. had \$172 million in cash equivalents and over \$3.7 billion in assets to fund the capital cost of the proposed project.

Financial Feasibility

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

NH Forsyth	1 st FFY CY 2024	2 nd FFY CY 2025	3 rd FFY CY 2026
Total Admissions	36,162	37,020	37,901
Total Gross Revenues (Charges)	\$1,948,669,343	\$2,056,794,820	\$2,171,010,929
Total Net Revenue	\$594,250,409	\$627,223,478	\$662,053,897
Average Net Revenue per Admission	\$16,433	\$16,943	\$17,468
Total Operating Expenses (Costs)	\$534,080,574	\$563,465,687	\$594,510,490
Average Operating Expense per Admission	\$14,769	\$15,221	\$15,686
Net Income	\$60,169,835	\$63,757,791	\$67,543,407

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 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.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

The applicant proposes to develop 68 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 874 acute care beds at NCBH upon completion of this project and Project ID# G-8842-12 (develop 4 Burn ICU beds).

Capital and Working Capital Costs

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

North Carolina Baptist Hospital Capital Costs	
Construction/Renovation Contract(s)	\$4,243,200
Architecture/Engineering Fees	\$428,694
Medical Equipment	\$1,356,000
Non-Medical Equipment	\$350,000
Furniture	\$135,000
Consulting Fees	\$68,000
Financing Costs	\$70,000
Interest during Construction	\$152,750
Other	\$10,800
Total	\$6,814,444

In Section Q, Form F.1a, the applicant provides the assumptions used to project the capital cost.

The applicant states that the project does not involve any start-up or initial operating expenses since NCBH is an existing hospital that offers inpatient acute care beds and the project involves increasing the hospital acute care bed inventory on the hospital main campus.

Availability of Funds

In Section F, page 70, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	North Carolina Baptist Hospital	Total
Loans	\$ 0	\$0
Accumulated reserves or OE *	\$6,814,444	\$6,814,444
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$6,814,444	\$6,814,444

* OE = Owner's Equity

Exhibit F.2 contains a letter dated June 24, 2020, from the Executive Vice President and Chief Financial Officer for Wake Forest Baptist Hospital, Inc., owner of NCBH, authorizing the use of accumulated reserves for the capital needs of the project. Exhibit F.2 contains Consolidated Balance Sheets from Wake Forest Baptist Hospital, Inc. for year ending December 31, 2019, showing that Wake Forest Baptist Hospital had \$69 million in cash equivalents and over \$2.1 billion in assets to fund the capital cost of the proposed project.

Financial Feasibility

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

North Carolina Baptist Hospital	1 st FFY FY 2024	2 nd FFY FY 2025	3 rd FFY FY 2026
Total Admissions	41,269	41,600	41,934
Total Gross Revenues (Charges)	\$4,002,397,606	\$4,074,882,665	\$4,148,680,458
Total Net Revenue	\$1,003,232,979	\$1,021,401,939	\$1,039,899,946
Average Net Revenue per Admission	\$24,310	\$24,553	\$24,798
Total Operating Expenses (Costs)	\$668,303,757	\$691,786,626	\$716,108,562
Average Operating Expense per Admission	\$16,194	\$16,629	\$17,077
Net Income	\$334,929,222	\$329,615,313	\$323,791,384

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

The applicant proposes to develop 20 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 785 acute care beds at Novant Health Forsyth, and 885 on the Novant Health Forsyth License upon completion of this project and Project I.D. # G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus).

On page 33, the 2020 SMFP defines the service area for acute care beds as *“the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.”* The acute care beds are proposed to be located at NH Forsyth which is in Forsyth County. Thus, the service area for the proposed new acute care beds consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved acute care inpatient beds located in the single county acute care bed service area of Forsyth County.

Forsyth Acute Care Bed Service Area	
	# of Existing and Approved Acute Care Beds
Novant Health Forsyth Medical Center	865
Novant Health Medical Park Hospital	22
North Carolina Baptist Hospital	802

Source: Table 5A of the 2020 SMFP

In Section G, page 71 the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in Forsyth County. The applicant states:

“The 2020 SMFP shows a need for 68 acute care beds in Forsyth County. As the proposed project requests fewer beds than the 2020 SMFP shows are needed, there is no unnecessary duplication in the service area.”

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

- There is a need determination in the 2020 SMFP for the proposed acute care beds.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing or approved acute care beds.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 based on the reasons stated above.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

The applicant proposes to develop 68 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 874 acute care beds at NCBH upon completion of this project and Project ID# G-8842-12 (develop 4 Burn ICU beds).

On page 33, the 2020 SMFP defines the service area for acute care beds as *“the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.”* The acute care beds are proposed to be located at NCBH which is in Forsyth County. Thus, the service area for the proposed new acute care beds consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved acute care inpatient beds located in the single acute care bed service area of Forsyth County.

Forsyth Acute Care Bed Service Area	
	# of Existing and Approved Acute Care Beds
Novant Health Forsyth Medical Center	865
Novant Health Medical Park Hospital	22
North Carolina Baptist Hospital	802

Source: Table 5A of the 2020 SMFP

In Section G, pages 76-77, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care services in Forsyth County. The applicant states:

“NCBH is an existing acute care hospital, and thus all components necessary to operate as a licensed, acute care hospital already exist. The 2020 SMFP shows a need for 68 additional acute care beds in Forsyth County...To meet the need, NCBH is submitting this CON application for 68 additional acute care beds.

...

NCBH demonstrates the need the population has for the proposed incremental beds based on demographic data specific to the service area, historical NCBH inpatient utilization, and Department recruitment plans for physicians.

...

The services provided by NCBH cannot be replicated by any other hospital facility in Forsyth County.”

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

- There is a need determination in the 2020 SMFP for the proposed acute care beds.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing or approved acute care beds.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 based on 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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

In Section Q, page 139, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	Current FTE Staff	Projected FTE Staff
	(As of 3/14/2020)	2nd FFY CY 2025
Registered Nurses	892.29	909.69
Licensed Practical Nurses	2.97	2.97
Surgical Technicians	9.73	9.73
Aides/Orderlies	426.93	439.33
Clerical Staff	88.00	91.30
Radiology Technicians	62.34	62.34
Respiratory Therapists	0.54	0.54
Social Workers	39.81	39.81
Materials Management	1.20	1.20
Administrator	87.49	90.49
Business Office	2.26	2.26
Health Educator	5.69	5.69
Guest Services	1.03	1.03
TOTAL	1,620	1,656

The assumptions and methodology used to project staffing are provided in Section Q, page 140. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, pages 72-74, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section I, page 77, the applicant identifies the current medical director. In Exhibit I-3.2, the applicant provides a letter from the medical director indicating an interest in continuing to serve as medical director for the proposed services. In Exhibits H-2.1, H-2.2, and H.3, the applicant provides supporting documentation.

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.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

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

Position	Current FTE Staff	Projected FTE Staff
	(As of 5/21/2020)	2nd Full Fiscal Year (FY 2025)
Registered Nurses	864.1	932.1
Dietary Aides	1.7	1.7
Unit Manager	26.0	26.0
Asst. Unit Manager	24.7	24.7
Charge Nurse	100.1	111.7
Rapid Response Nurse	9.5	9.5
Nurse Assistant	363.6	390.7
Mental Health Tech	4.6	4.6
Unit Secretary	116.5	126.9
Clinical Educator	28.8	30.3
Admin Support	2.0	2.0
Lactation	2.0	3.0
Program Coordinator	1.0	1.0
Infant Feeding Tech	1.5	1.5
TOTAL	1,546.1	1,665.6

The assumptions and methodology used to project staffing are provided in Section H. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Section H.2 and H.3, pages 79-81, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section I, page 86, the applicant identifies the current medical director. In Exhibit I.4, the applicant provides a letter from the medical director indicating an interest in continuing to serve as medical director for the proposed services.

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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

In Section I, page 75, the applicant briefly describes the following ancillary and support services necessary for the proposed services:

- Materials Management
- Purchasing
- Billing and Finance Services
- Nursing Services
- Anesthesia
- Laboratory
- Pathology
- Pharmacy
- Dietary
- Environmental
- Laundry Services

On page 75, the applicant adequately explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I-1.

In Section I, pages 75-76, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I-2.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

In Section I, page 82, the applicant states that the following ancillary and support services provided by Wake Forest Baptist Medical Center (WFBMC) and Wake Forest University Health Sciences (WFUHS) are necessary for the proposed services:

- Inpatient Care Services (Nursing, Dietary, Housekeeping, etc.)
- Physical, Speech and Occupational Therapy
- Respiratory Therapy
- Emergency Services
- Social Services
- Food and Nutritional Services
- Perioperative Nursing and Technologist Services
- Anesthesiology/Laboratory/Pathology/Imaging
- Pharmacy
- Sterile Processing

On pages 82-83, the applicant adequately explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit B.1.

In Section I, pages 83-85, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA-Both Applications

Neither of the applications include projections 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 applicants do 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 any of the applications in 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-Both Applications

Neither of the applicants are an HMO. Therefore, Criterion (10) is not applicable to any of the applications in 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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

In Section K, page 80, the applicant states that the project involves renovating 15,100 square feet of existing space. Line drawings are provided in Exhibit K-2.

On page 80, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On pages 80-81, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On page 81, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit B-11.

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.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

In Section K, page 90, the applicant states that the project involves renovating 28,929 square feet of existing space. Line drawings are provided in Exhibit K.2.

On page 91, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On pages 91-92, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On page 92, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

In Section L, page 84, the applicant provides the historical payor mix during CY 2019 for the proposed services, as shown in the table below.

NH Forsyth Historical Payor Mix Last FFY, FY 2019	
Payor Category	Acute Care Bed Services % of Total
Self-Pay	2.0%
Charity Care	2.9%
Medicare	60.0%
Medicaid	11.7%
Insurance	21.5%
Workers Compensation	0.2%
TRICARE	0.3%
Other (specify)	1.4%
Total	100.0%

(Excluding NICU)

In Section L, page 83, the applicant provides the following comparison.

	% of Total Patients Served by the Facility or Campus during the Last Full FY (2019)	Percentage of the Population of the Service Area
Female	60.24%	52.7%
Male	39.76%	47.3%
Unknown	0.00%	0.00%
64 and Younger	66.66%	83.6%
65 and Older	33.34%	16.4%
American Indian	0.21%	0.9%
Asian	0.59%	2.6%
Black or African-American	32.70%	27.5%
Native Hawaiian or Pacific Islander	0.06%	0.1%
White or Caucasian	57.31%	66.6%
Other Race	6.50%	2.3%
Declined / Unavailable	2.62%	0.00%

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.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

In Section L, page 97, the applicant provides the historical payor mix during FY 2019 for the proposed services, as shown in the table below.

NCBH Projected Payor Mix 3rd FFY, CY2026	
Payor Category	Acute Care Bed Services % of Total
Self-Pay	5.9%
Medicare*	46.0%
Medicaid*	23.6%
Insurance*	18.8%
Workers Compensation	0.6%
TRICARE	0.5%
Other (other gov't)	4.6%
Total**	100.0%

Source: Section L, page 97

*Including any managed care plans

**Totals may not foot due to rounding

In Section L, page 97, the applicant states that charity care is not considered a payor source. In Exhibit L.4, the applicant provides NCBH's Patient Financial Assistance Policy for charity care/financial assistance eligibility criteria.

In Section L, page 96, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	45.44%	52.6%
Male	54.55%	47.4%
Unknown	0.01%	0.0%
64 and Younger	61.07%	84.0%
65 and Older	38.93%	16.0%
American Indian	0.41%	0.9%
Asian	0.69%	2.6%
Black or African-American	21.63%	27.5%
Native Hawaiian or Pacific Islander	0.10%	0.1%
White or Caucasian	71.24%	55.9%
Other Race	5.94%	13.0%
Declined / Unavailable	0.00%	0.0%

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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 84, the applicant states:

“NH Forsyth and all NH facilities in North Carolina continue to comply with the community service obligation and there is no denial, restriction, or limitation of access to minorities or handicapped persons.”

In Section L, page 85, 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.

The Agency reviewed the:

- Application
- Exhibits to the application

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

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, pages 97-98, the applicant states:

“Internal Revenue Code (IRC) Section 501(r), enacted by the Patient Protection and Affordable Care Act, requires tax exempt hospitals exempt under IRC Section 501(c)(3) to have a written financial assistance policy and emergency medical care policy that provides discounts for emergent and other medically necessary care provided to eligible financial assistance patients.”

In Section L, page 98, 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.

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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

In Section L, page 86, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

NH Forsyth Projected Payor Mix 3rd FFY, CY 2026	
Payor Category	Acute Care Bed Services as % of Total
Self-Pay	2.8%
Charity Care	2.8%
Medicare	59.6%
Medicaid	11.5%
Insurance	21.7%
Workers Compensation	0.1%
TRICARE	0.4%
Other (specify)	1.1%
Total	100.0%

(Excluding NICU)

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 2.8% of total services will be provided to self-pay patients, 2.8% to charity care patients, 59.6% to Medicare patients and 11.5% to Medicaid patients.

On page 86, 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 because the applicant based the projected payor mix on the actual payor mix during the period of August 2019 through December 2019. The applicant states that this period was selected due to the shifting of acute care patients from NH Forsyth to NCBH upon the opening of their birthing center. The applicant assumes that the projected payor mix will be consistent with this period of time.

The Agency reviewed the:

- Application
- Exhibits to the application

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

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

In Section L, page 99, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

NCBH Projected Payor Mix CY 2026	
Payor Category	Acute Care Bed Services as % of Total
Self-Pay	5.9%
Medicare*	46.0%
Medicaid*	23.6%
Insurance*	18.8%
Workers Compensation	0.6%
TRICARE	0.5%
Other (specify)	4.6%
Total*	100.0%

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

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 5.9% of total services will be provided to self-pay patients, 46.0% to Medicare patients and 23.6% to Medicaid patients. In Section L, page 97, the applicant states that charity care is not considered a payor source. In Exhibit L.4, the applicant provides NCBH's Patient Financial Assistance Policy for charity care/financial assistance eligibility criteria.

On page 99, 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 based on the following:

- The applicant projects acute care bed services' payor mix based on historical payor mix at NCBH.
- The applicant assumes projected payor mix will be consistent with the FY 2019 payor mix.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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-Both applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

In Section L, page 88, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

In Section L, pages 100-101, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C-Both Application

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

In Section M, page 89, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit H-2.1.

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.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

In Section M, page 102, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1.

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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

The applicant proposes to develop 20 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 785 acute care beds at Novant Health Forsyth, and 885 on the Novant Health Forsyth License upon completion of this project and Project I.D. # G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus).

On page 33, the 2020 SMFP defines the service area for acute care beds as *“the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.”* The acute care beds are proposed to be located at Novant Health Forsyth which is in Forsyth County. Thus, the service area for the proposed new acute care beds consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 90, the applicant states:

“To compete with other hospitals for physicians, patients and market share, NH Forsyth must have the capacity to be responsive to physicians and patients in scheduling admissions and surgeries. The proposed project will increase NH Forsyth’s ability to serve physicians and acute care patients efficiently by avoiding bottlenecks and increasing scheduling flexibility and efficiency.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 90, the applicant states:

“The project consists of an interior renovation to an already conditioned space that allows the use of tying into the existing mechanical system. No new square footage will be developed to accommodate the acute care beds and related supported space, which helps keep the capital cost lower.”

Regarding the impact of the proposal on quality, in Section N, page 90, the applicant states:

“The additional acute care beds will enable NH Forsyth to accommodate growth in demand for inpatient surgical services and more complex medical services relaxing capacity constraints on medical/surgical beds. NH Forsyth needs more capacity to meet the growing need for intermediate care patients. By adding additional general medical/surgical beds, existing bed spaces will be freed up to designated as intermediate care beds.”

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 90-91, the applicant states:

“The additional acute care beds will improve access to its acute care services for underserved groups including uninsured patients and patients covered by Medicare and Medicaid...NH Forsyth has a history of providing services to Medicare and Medicaid patients, and will continue to do so if this project is approved. NH Forsyth and its medical staff operate under NH’s Charity Care and financial assistance policies...”

Considering all the information in the application, the applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on:

- Cost-effectiveness (see Sections C, F, N and Q of the application and any exhibits)
- Quality (see Sections C, N and O of the application and any exhibits)
- Access to medically underserved groups (see Sections C, L and N 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 based on the reasons stated above.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

The applicant proposes to develop 68 additional acute care beds pursuant to the 2020 SMFP need determination for a total of 874 acute care beds at NCBH upon completion of this project and Project ID# G-8842-12 (develop 4 Burn ICU beds).

On page 33, the 2020 SMFP defines the service area for acute care beds as *“the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.”* The acute care beds are proposed to be located at NCBH which is in Forsyth County. Thus, the service area for the proposed new acute care beds consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 103, the applicant states:

“NCBH’s proposed acute care bed expansion project will promote competition in the service area because it will enable NCBH to better meet the needs of its existing patient population, and to ensure more timely provision of and convenient access to high quality, cost-effective inpatient services for residents of Forsyth County and surrounding communities.”

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 103 and 105, respectively, the applicant states:

“This project will not negatively affect the cost effectiveness of services, as addition of acute care beds at NCBH does not involve any new services, but rather involves existing services for which charges and reimbursement will not change. This project will not increase the NCBH charges or projected reimbursement for these services, which are established by Medicare, Medicaid, and/or existing private payor contracts.

...

WFBMC value-based care and population health/population health management initiatives and competitive pricing and cost reductions strategies maximize healthcare value for resources expended in the delivery of health care services and will continue to do so with the development these additional acute care beds.”

Regarding the impact of the proposal on quality, in Section N, page 105, the applicant states:

“NCBH is dedicated to ensuring quality care and patient safety through compliance with all applicable licensure and certification standard established in regard to hospitals. NCBH will maintain the highest standards and quality of care, consistent with the high standard it has sustained throughout its history of providing inpatient care.”

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 107, the applicant states:

“NCBH is committed to providing services to all persons regardless of race, ethnicity, gender, age, religion, creed, disability, national origin, or ability to pay.”

Considering all the information in the application, the applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on:

- Cost-effectiveness (see Sections C, F, N and Q of the application and any exhibits)
- Quality (see Sections C, N and O of the application and any exhibits)
- Access to medically underserved groups (see Sections C, L and N of the application and any exhibits)

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 based on 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-Both Applications

G-11907-20/Novant Health Forsyth Medical Center/Develop 20 Acute Care Beds

In Section Q, Form A, the applicant identifies the healthcare facilities with acute care beds located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of eleven of this type of facility located in North Carolina.

In Section O, page 94, the applicant states that, during the 18 months immediately preceding the submittal of the application, neither DHR nor CMS determined the listed facilities operated out of compliance with Medicare Conditions of Participation. According to the files in the Acute and Home Care Licensure and Certification Section, DHR, during the 18 months immediately preceding submission of the application through the date of this decision, three of these facilities were out of compliance. At the time of this review, all three facilities are pending decisions regarding compliance. 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 eleven facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

G-11915-20/North Carolina Baptist Hospital/Develop 68 Acute Care Beds

In Section Q, Form A, the applicant identifies the hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of six of this type of facility located in North Carolina.

In Section O, page 112, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents resulting in a finding of immediate jeopardy has not occurred in any of these facilities. According to the files in the Acute Care and Home Care Licensure and Certification Section, DHR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in one of these facilities. The facility was back in compliance November 12, 2020. After reviewing and considering information provided by the applicant and by the Acute Care and Home Care Licensure and Certification Section and considering the quality of care provided at all six 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-Both Applications

SECTION .3800 – CRITERIA AND STANDARDS FOR ACUTE CARE BEDS are applicable to:

- Project ID. #G-11907-20/**Novant Health Forsyth Medical Center** /Develop 20 acute care beds pursuant to the 2020 need determination
- Project ID #G-11915-20/**North Carolina Baptist Hospital**/Develop 68 acute care beds pursuant to the 2020 need determination

10A NCAC 14C .3803 PERFORMANCE STANDARDS

- (a) *An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.*
- C- **Forsyth Memorial Hospital, Inc.** The applicant proposes to develop 20 additional acute care beds for a total of 785 acute care beds at Novant Health Forsyth and 885 on the Novant Health Forsyth License upon completion of this project and Project I.D. # G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus). The projected ADC of the total number of licensed acute care beds proposed to be licensed within the service area and owned by Novant Health is greater than 400. The applicant adequately demonstrates that the projected utilization of the total number of licensed acute care beds proposed to be licensed within the service area and which are owned by Novant Health is reasonably projected to be at least 75.2 percent by the end of the third operating year following completion of the proposed project. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.
- C- **North Carolina Baptist Hospital.** The applicant proposes to develop 68 additional acute care beds for a total of 874 acute care beds at NCBH upon completion of this project and Project ID# G-8842-12 (develop 4 burn ICU beds). The projected ADC of the total number of licensed acute care beds to be licensed within the service area and owned by North Carolina Baptist Hospital is greater than 400. The applicant adequately demonstrates that the projected utilization of the total number of licensed acute care beds proposed to be licensed within the service area and which are owned by North Carolina Baptist Hospital is reasonably projected to be at least 75.2 percent by the end of the third operating year following completion if the proposed project. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.
- (b) *An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.*

- C- **Forsyth Memorial Hospital, Inc.** See Section C, pages 29-46, for the applicant's discussion of need, and Section Q, for the applicant's data, assumptions, and methodology used to project utilization. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

- C- **North Carolina Baptist Hospital.** See Section C, pages 33-50, for the applicant's discussion of need, and Section Q, for the applicant's data, assumptions, and methodology used to project utilization. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2020 State Medical Facilities Plan, no more than 68 acute care beds may be approved for Forsyth County in this review. Because the two applications in this review collectively propose to develop 88 additional acute care beds in Forsyth County, both applications cannot be approved for the total number of beds proposed. Therefore, after considering all the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved. For the reasons set forth below and in the rest of the findings, both applications are conditionally approved: the application submitted by **Forsyth Memorial Hospital, Inc. and Novant Health, Inc.**, Project ID# G-11907-20 is conditionally approved to develop 20 acute care beds and the application submitted by **North Carolina Baptist Hospital**, Project ID# G-11915-20, is conditionally approved to develop 48 acute care beds.

Below is a brief description of each project included in this review.

- Project ID. #G-11907-20/**Novant Health Forsyth Medical Center (NH Forsyth)**/Develop 20 acute care beds pursuant to the 2020 need determination

Forsyth Memorial Hospital, Inc. proposes to add 20 acute care beds to their NH Forsyth License, which consists of three facilities: NH Forsyth, NH Kernersville, and NH Clemmons. However, the proposed 20 acute care beds will be added to the NH Forsyth facility. For this comparative analysis, data from NH Forsyth will be used.

- Project ID #G-11915-20/**North Carolina Baptist Hospital (NCBH)**/Develop 68 acute care beds pursuant to the 2020 need determination

Conformity with Statutory and Regulatory Review Criteria

Table 5B on page 48 of the 2020 SMFP identifies a need for 68 additional acute care beds in Forsyth County. As shown in Table 5A, page 45, the Novant Health system shows a projected surplus of 59 acute care beds for 2022 and the North Carolina Baptist Hospital shows a projected deficit of 68 acute care beds for 2022, which results in the Forsyth County need determination for 68 acute care beds. However, the application process is not limited to the provider (or providers) that show a deficit and create the need for additional acute care beds. Any provider can apply to develop the 68 acute care beds in Forsyth County. Furthermore, it is not necessary that an existing provider have a projected deficit of acute care beds to apply for more acute care beds. However, it is necessary that an applicant adequately demonstrate the need to develop its project, as proposed.

Both applications are conforming to all applicable statutory and regulatory review criteria. Therefore, with regard to conformity with review criteria, both applications are equally effective alternatives.

Scope of Services

Generally, the application proposing to provide the greatest scope of services is the more effective alternative with regard to this comparative factor.

NH Forsyth is an existing tertiary care hospital, while **NCBH** is a quaternary academic medical center, therefore this comparative factor is inconclusive.

Historical Utilization

The table below shows acute care bed utilization for **NH Forsyth** and **NCBH** based on acute care days as reported in Table 5A of the 2020 SMFP. Generally, the applicant with the higher historical utilization is the more effective alternative with regard to this comparative analysis factor.

Forsyth County Historical Acute Care Bed Utilization (Table 5A of 2020 SMFP)				
Facility	FFY 2018 Acute Care Days	ADC	# of Acute Care Beds*	Utilization Rate
NH Forsyth	215,058	588	865	67.9%
NCBH	230,618	631	802	78.6%

*Existing acute care beds during FFY 2018 only.

As shown in the table above, **NCBH** has a higher historical utilization rate in FFY 2018, in comparison to **NH Forsyth**.

Forsyth County Acute Care Beds Days of Care							
	2015	2016	2017	2018	2019	CAGR 2015-2019	CAGR 2016-2019
Novant FMC	204,271	205,051	209,585	215,058	225,544	2.51%	3.23%
Novant all	207,721	208,426	212,714	217,868	228,111	2.37%	3.05%
Baptist	227,099	226,483	227,283	230,618	229,112	0.22%	0.39%

Source: 2017, 2018, 2019, 2020, SMFPs, 2021 Proposed SMFP

As shown in the table above, NH Novant has a higher growth rate in utilization of acute care beds. Therefore, with regard to historical utilization, this comparative factor is inconclusive.

Geographic Accessibility (Location within the Service Area)

The service area for the acute care beds is Forsyth County. The following table provides the location of the existing acute care beds in Forsyth County, summarized from Table 5A of 2020 SMFP and publicly available information.

Forsyth Acute Care Bed Service Area		
	# of Existing and Approved Acute Care Beds	Location
Novant Health Forsyth Medical Center	865*	Winston-Salem-779 Kernersville-50 Clemmons-36
Novant Health Medical Park Hospital	22	Winston-Salem
North Carolina Baptist Hospital	802	Winston-Salem
Total	1,689	

*Inventory of acute beds includes total acute care beds under NH Forsyth License (NH Forsyth, NH Kernersville, and NH Clemmons).

As shown in the table above, the existing and approved acute care beds are in Forsyth County. **NH Forsyth** has 865 acute care beds: 779 beds located at NH Forsyth, 50 beds at NH Kernersville and 36 beds at NH Clemmons. The applicant proposes to add 20 acute care beds to its existing facility in Winston-Salem for a total of 785 acute care beds at NH Forsyth upon completion of this project and Project G-8165-08 (relocate 14 acute care beds). The proposed project does not include adding acute care beds to NH Kernersville or NH Clemmons. **NCBH** proposes to add 68 acute care beds to its existing facility in Winston-Salem. Neither applicant proposes to expand geographic access to acute care services in Forsyth County by developing acute care beds in a new location within the service area. Therefore, because both applicants propose to locate additional acute care beds at their existing hospitals, the two applications are comparable with regard to geographic access.

Access by Service Area Residents

On page 33, the 2020 SMFP defines the service area for acute care beds as “*the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.*” Forsyth County is depicted as a single county service area in Figure 5.1. Thus, the service area for the proposed new acute care beds consists of Forsyth County. Facilities may also serve residents of counties not included in their service area. Generally, the application projecting to serve the highest percentage of Forsyth County residents is the more effective alternative with regard to this comparative factor since the need determination is for 68 additional acute care beds for Forsyth County.

The following table illustrates access by Forsyth County residents during the third full fiscal year following project completion.

Percent of Mecklenburg County Residents 3 rd Full FY	
Applicant	% of Forsyth County Residents
NH Forsyth	51.9%
NCBH	29.4%

Source: Section C.3 of each application

As shown in the table above, Novant Health projects to serve the highest total number of Forsyth County residents. Therefore, regarding access to service area residents, the application submitted by **NH Forsyth** is the more effective alternative.

Access by Underserved Groups

Underserved groups are defined in G.S. 131E-183(a)(13) as follows:

“Medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], 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 access by underserved groups, applications are compared with respect to three underserved groups: charity care patients (i.e., medically indigent or low-income persons), Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

Which metrics the Agency uses is determined by whether or not the applications included in the review provide data that can be compared and whether or not such a comparison would be of value in evaluating the alternative factors.

Charity Care

NCBH does not consider charity care a payor source or a separate line item in deductions to gross revenue, thus charity care cannot be calculated or compared.

Projected Charity Care – 3 rd Full FY			
Applicant	Projected Total Charity Care	Charity Care per Patient	% of Gross Acute Care Bed Revenue
NH Forsyth	\$63,382,098	\$1,672	34.3%
NCBH	\$0	\$0	0.0%

Charity care metric will not be used as a comparative factor since NCBH does not consider charity care a payor source and cannot be calculated in this review.

Projected Medicare

The following table shows projected Medicare revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting to provide the highest percentage of Medicare revenue is the more effective alternative with regard to this comparative factor.

Projected Medicare – 3rd Full FY			
Applicant	Projected Total Medicare	Medicare Care per Patient	% of Gross Acute Care Bed Revenue
NH Forsyth	\$1,294,238,271	\$34,148	59.6%
NCBH	\$1,908,393,011	\$45,409	46.0%

Source: Form F.2 for each applicant.

As shown in the table above, **NCBH** projects the highest total Medicare revenue in dollars and the highest Medicare revenue per patient, while **NH Forsyth** projects to serve the highest percentage of Medicare revenue. Thus, the result of this analysis is inconclusive with respect to service to Medicare patients.

Projected Medicaid

The following table shows projected Medicaid revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting to provide the highest percentage of Medicaid revenue is the more effective alternative with regard to this comparative factor.

Projected Medicaid – 3rd Full FY			
Applicant	Projected Total Medicaid	Medicaid Care per Patient	% of Gross Acute Care Bed Revenue
NH Forsyth	\$250,981,659	\$6,622	11.5%
NCBH	\$979,088,588	\$23,348	23.6%

Source: Form F.2 for each applicant.

As shown in the table above, **NCBH** projects to serve the highest total Medicaid revenue in dollars, the highest Medicaid revenue per patient and the highest percentage of Medicaid revenue per patient. Therefore, the application submitted by **NCBH** is the most effective application with respect to service to Medicaid patients.

Competition (Access to a New or Alternate Provider)

Both applicants and/or related entities provide acute care bed services in Forsyth County; and each has over 45% of the beds in Forsyth County. Neither applicant qualifies as a new or alternative provider in Forsyth County. Therefore, regarding this comparative factor, both applicants are equally effective alternatives.

Forsyth County Beds		
Applicant	Total # of Beds	% of Beds
NH Forsyth	887	52.7%
NCBH	802	47.5%
Forsyth County	1689	

Source: Table 5A of the 2020 SMFP

Projected Average Net Revenue per Patient

The following table compares the projected total net revenue and the average net revenue per patient for the third year of operation following project completion for both applicants, based on the information provided in the applicants’ pro forma financial statements (Section Q). Generally, regarding this factor, the application proposing the lowest average net revenue per patient is the more effective alternative since a lower average may indicate a lower cost to the patient or third-party payor.

Projected Average Net Revenue per Patient – 3rd Full FY			
Applicant	Total # of Patients	Net Revenue	Average Net Revenue per Patient
NH Forsyth*	37,901	\$662,053,897	\$17,468
NCBH	41,934	\$1,039,899,946	\$24,798

Source: Form F.2 for each applicant.
 *Excludes ICU beds

As shown in the table above, **NH Forsyth** proposes the lower total net revenue as well as the lower average net revenue per patient in the third full fiscal year following project completion. Therefore, regarding this comparative factor, the proposal by **NH Forsyth** is the more effective alternative. The application submitted by **NCBH** is the less effective alternative.

Projected Average Total Operating Cost per Patient

The following table compares the projected total operating expenses and the average operating expense per patient for the third year of operation following project completion for both applicants, based on the information provided in the applicants’ pro forma financial statements (Section Q). Generally regarding this factor, the application proposing the lowest average operating expense per patient is the more effective alternative since a lower average may indicate a lower cost to the patient or third-party payor or a more cost-effective service.

Projected Average Operating Cost per Patient – 3rd Full FY			
Applicant	Total # of Patients	Operating Expenses	Average Operating Expenses per Patient
NH Forsyth*	37,901	\$594,510,490	\$15,686
NCBH	41,934	\$716,108,562	\$17,077

Source: Form F.2 for each applicant.
 *Excludes NICU beds

As shown in the table above, **NH Forsyth** projects the lowest total operating expenses as well as the lowest operating expense per patient. Therefore, the application submitted by **NH Forsyth** is the more effective alternative with respect to operating expense per patient, which can translate to a lower cost alternative for patients. Although differences in the acuity level of patients at each facility, as well as differences in the level of care (tertiary hospital vs. Academic Medical Center Teaching Hospital) may impact the averages shown in the table above, for those patients who are not high acuity and/or do not need a trauma center or a teaching hospital, NH Forsyth remains a lower cost alternative.

SUMMARY

The following table lists the comparative factors and indicates whether each application was more effective, less effective or equally effective for each factor. The comparative factors are listed in the same order they are discussed in the Comparative Analysis which should not be construed to indicate an order of importance.

Comparative Factor	NH Forsyth	NCBH
Conformity with Statutory and Regulatory Review Criteria	Equally Effective	Equally Effective
Scope of Services	Less Effective	More Effective
Historical Utilization Growth	Inconclusive	Inconclusive
Geographic Accessibility (Location within the Service Area)	Equally Effective	Equally Effective
Access by Service Area Residents	More Effective	Less Effective
Access by Charity Care Patients	Inconclusive	Inconclusive
Access by Medicare Patients	Inconclusive	Inconclusive
Access by Medicaid Patients	Less Effective	More Effective
Competition (Access to a New or Alternative Provider)	Equally Effective	Equally Effective
Projected Average Net Revenue per Patient	More Effective	Less Effective
Projected Average Operating Expense per Patient	More Effective	Less Effective

CONCLUSION

Both applications proposing to add acute care beds are individually conforming to the need determination in the 2020 SMFP for 68 additional acute care beds in the Forsyth County acute care bed service area. However, N.C. Gen. Stat. §131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Certificate of Need Section. The Agency determined that the application submitted by **Forsyth Memorial Hospital, Inc./Novant Health, Inc.** is the more effective alternative as proposed in this review for 68 additional acute care beds to be located in Forsyth County. Therefore, given all of the above factors, the Agency determines that **NH Forsyth** should be approved to develop 20 additional acute care beds and **NCBH** should be approved to develop 48 additional acute care beds, for a total of 68 new acute care beds in the Forsyth County service area. The approval of both applications, as conditioned, provides access to a broader base of patients than the approval of either application alone. The decision also promotes competition and enhances patient choice in the service area.

As shown in the table above, **NH Forsyth** was determined to be a more effective alternative for the following three factors:

- Access by Service Area Residents
- Projected Average Net Revenue per Patient
- Projected Average Operating Expense per Patient

As shown in the table above, **NCBH** was determined to be a more effective alternative for the following two factors:

- Scope of Services
- Access by Medicaid

The application submitted by **Forsyth Memorial Hospital, Inc.**, **Project ID #G-11907-20**, is approved subject to the following conditions:

- 1. Forsyth Memorial Hospital, Inc. and Novant Health, Inc. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall add no more than 20 new acute care beds on the main campus (NH Forsyth), for a total of 785 acute care beds at Novant Health Forsyth, and 885 on the Novant Health Forsyth License, upon completion of this project and Project ID# G-8165-08 (relocate 14 beds from Winston-Salem campus to Clemmons Campus).**
- 3. Upon completion of this project and Project G-8165-08, Novant Health Forsyth Medical Center shall be licensed for no more than 785 acute care beds.**
- 4. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on September 1, 2023. The second progress report shall be due on January 1, 2024 and so forth.**
- 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 6. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the**

certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:

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

The application submitted by **North Carolina Baptist Hospital, Project ID #G-11915-20**, is approved subject to the following conditions:

1. **North Carolina Baptist Hospital (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
2. **The certificate holder shall add no more than 48 new acute care beds, for a total of 854 acute care beds at North Carolina Baptist Hospital upon completion of this project and Project ID# G-8842-12 (develop 4 Burn ICU Beds).**
3. **Upon completion of the project and Project G-8842-12, North Carolina Baptist Hospital shall be licensed for no more than 854 acute care beds.**
4. **Progress Reports:**
 - a. **Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. **The certificate holder shall complete all sections of the Progress Report form.**
 - c. **The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. **Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on January 1, 2023. The second progress report shall be due on April 1, 2023 and so forth.**

- 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 6. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
- 7. The certificate holder 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.**