

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: July 24, 2020

Findings Date: July 24, 2020

Project Analyst: Gregory F. Yakaboski

Team Leader: Gloria C. Hale

Project ID #: F-11894-20

Facility: CaroMont Regional Medical Center

FID #: 943184

County: Gaston

Applicants: Gaston Memorial Hospital, Incorporated  
CaroMont Health, Inc.

Project: Add 64 acute care beds pursuant to the need determination in the 2020 SMFP for a total of 415 beds upon completion of this project and Project ID #F-11749-19 (relocate 21 beds to Belmont)

### 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

Gaston Memorial Hospital, Incorporated (GMH) and CaroMont Health, Inc. (CaroMont), hereinafter referred to as “CaroMont” or “the applicant,” propose to add 64 acute care beds to CaroMont Regional Medical Center pursuant to the need determination for Gaston County in the 2020 State Medical Facilities Plan (SMFP) for a total of 415 beds upon completion of this project and Project ID #F-11749-19 (relocate 21 beds to Belmont).

#### Need Determination

Chapter 5 of the 2020 SMFP includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Table 5B on page 48 of the 2020 SMFP includes an acute care bed need determination for 64 additional acute care beds in the Gaston County service area. The 2020 SMFP, on page 36, states:

*“Any qualified applicant may apply for a certificate of need to acquire the needed acute care beds. 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 major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS) as follows: ...” [as listed on pages 36-37 of the 2020 SMFP]*

CaroMont Regional Medical Center is an existing acute care hospital that meets all of these qualifications. Therefore, based on the information provided by the applicant, the applicant is qualified to apply for a certificate of need to develop the acute care beds.

The applicant does not propose to develop more new acute care beds than are determined to be needed in the 2020 SMFP for the Gaston County service area. Therefore, the application is consistent with the need determination.

### **Policy**

There is one policy in the 2020 SMFP applicable to this review: *Policy GEN-3: Basic Principles.*

Policy GEN-3, 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 project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”*

**Promote Safety and Quality** - The applicant describes how it believes the proposed project would promote safety and quality in Section B, pages 21-27; Section N, pages 102-103; Section O, pages 105-109 and referenced exhibits. The information provided by the applicant

is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access - The applicant describes how it believes the proposed project would promote equitable access in Section B, pages 28-30; Section C, page 58; Section L, pages 93-96; Section N, pages 102-103 and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value - The applicant describes how it believes the proposed project would maximize health care value in Section B, page 30; Section F, pages 71-75; Section K, pages 89-90, Section N, pages 102-103; the applicant's pro forma financial statements in Section Q and referenced exhibits.

The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal will maximize health care value and that the applicant's projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2020 SMFP. Therefore, the application is consistent with Policy GEN-3.

### **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 based on the following reasons:

- The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 because the applicant adequately demonstrates how its proposal incorporates the concepts of quality, equitable access, and maximum value for resources expended in meeting the need for the proposed services as identified by the applicant.

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

C

The applicant proposed to add 64 acute care beds to CaroMont Regional Medical Center pursuant to the need determination in the 2020 SMFP for a total of 415 beds upon completion of this project and Project ID #F-11749-19 (relocate 21 beds to Belmont).

**Patient Origin**

The applicant proposes to add 64 acute care beds to CaroMont Regional Medical Center pursuant to the need determination in the 2020 SMFP for a total of 415 beds upon completion of this project and Project ID #F-11749-19 (relocate 21 beds to Belmont).

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 CaroMont Regional Medical Center which is in Gaston County. Gaston 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 Gaston County. Facilities may also serve residents of counties not included in their service area.

The applicant defines its area of patient origin as selected ZIP codes in Gaston, Catawba, Cleveland, Lincoln, Mecklenburg, and Rutherford counties in North Carolina and York County in South Carolina. The applicant grouped these ZIP codes into regions, which are listed in the table below.

| CRMC Projected Area of Patient Origin |                            |  |
|---------------------------------------|----------------------------|--|
| Region                                | Counties                   | ZIP Codes  |
| East                                  | Gaston, Mecklenburg        | 28012, 28032, 28120, 28164, 28214, 28216, and 28278  |
| South                                 | York (SC)                  | 28710, 29703, and 29745  |
| NorthEast                             | Gaston, Lincoln            | 28006 and 28037  |
| Central & West                        | Gaston, Cleveland, Lincoln | 28016, 28017, 28020, 28021, 28033, 28034, 28038, 28042, 28052-28056, 28073, 28077, 28080, 28086, 28089, 28090, 28092, 28093, 28098, 28101, 28114, 28136, 28150-28152, 28168, and 28169 |

The following table illustrates current and projected patient origin.

| County         | Current<br>(7/1/2018 to 6/30/2019) |            | Third Full FY of Operation following<br>Project Completion<br>(7/1/2025 to 6/30/2026) |            |
|----------------|------------------------------------|------------|---|------------|
|                | Patients                           | % of Total | Patients  | % of Total |
| East           | 4,117                              | 19.7%      | 3,722   | 16.2%      |
| South          | 793                                | 3.8%       | 983   | 4.3%       |
| NorthEast      | 115                                | 0.5%       | 179   | 0.8%       |
| Central & West | 15,664                             | 74.9%      | 17,779  | 77.6%      |
| Other          | 227                                | 1.1%       | 248   | 1.1%       |
| Total          | 20,916                             | 100.0%     | 22,911  | 100.0%     |

Source: Section C, pages 41-42, 48.

In Section C, page 43, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported.

### **Analysis of Need**

In Section C, pages 44-53, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The 2020 SMFP shows a need determination for 64 acute care beds in Gaston County. (see Table 5B, page 48, of the 2020 SMFP)
- According to the North Carolina Office of State Budget and Management (NC OSBM), the population of Gaston County grew 5.5 percent between 2015 and 2020, including a growth rate of 16.2 percent for the population age 65 and older. While the population growth of Gaston County is expected to slow between 2020 and 2025, NC OSBM still projects an overall population growth of 3.2 percent, including a growth rate of 12.8 percent for the population age 65 and older. (page 45)
- The applicant cites federal data showing the population age 65 and older had more discharges, a higher use rate, and higher numbers of overnight hospital stays greater than three nights than any other age group. (page 46)
- The NCOSBM population projections are supported by ESRI population projections which show projected population growth of 9.5% between 2019 and 2026 for the service area. (page 48)
- Economic development in Gaston County is increasing, with a new light rail being developed, road upgrades and expansions approved and under development, and other businesses developing and opening in the area; the applicant states this necessitates preparation for sufficient healthcare infrastructure. (page 49)
- According to The County Health Rankings & Roadmaps program, Gaston County ranks 66<sup>th</sup> out of 100 counties in NC for health outcomes and 56<sup>th</sup> out of 100 counties in NC for health factors; in comparison, Mecklenburg County ranks 4<sup>th</sup> and 14<sup>th</sup>, respectively. (pages 50-52)
- CRMC utilization has increased for both inpatient and outpatient services, which drives the need determination for additional acute care beds. (page 53)

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

- The applicant uses clearly cited and reasonable historical and demographic data to identify the population to be served, its projected growth, and the need the identified population has for the proposed services;

- The applicant’s historical growth in utilization created the current need determination for 64 additional acute care beds in the 2020 SMFP for the Gaston County Acute Care Bed Service Area.

*Projected Utilization*

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

|                              | Prior Full FY           | Interim Full FY1        | Interim Full FY2        | Interim Full FY3        | Interim Full FY4        |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Total Acute Care Beds</b> | <b>7/1/18 - 6/30/19</b> | <b>7/1/19 - 6/30/20</b> | <b>7/1/20 - 6/30/21</b> | <b>7/1/21 - 6/30/22</b> | <b>7/1/22 - 6/30/23</b> |
| # of Beds                    | 372                     | 372                     | 372                     | 372                     | 372                     |
| # Admissions                 | 20,915                  | 21,048                  | 21,197                  | 21,108                  | 21,497                  |
| # of Patient Days            | 100,185                 | 100,822                 | 101,533                 | 101,109                 | 102,971                 |

Source: Form C

|                              | OY1                    | OY2                    | OY3                    |
|------------------------------|------------------------|------------------------|------------------------|
| <b>Total Acute Care Beds</b> | <b>7/1/23 -6/30/24</b> | <b>7/1/24 -6/30/25</b> | <b>7/1/25 -6/30/26</b> |
| # of Beds                    | 415                    | 415                    | 415                    |
| # Admissions                 | 21,222                 | 22,100                 | 22,911                 |
| # of Patient Days            | 104,722                | 110,092                | 115,241                |

Source: Form C

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

*Projected Acute Care Bed Utilization*

- The applicant obtained historical and projected population for its defined area of patient origin from ESRI, calculated Compound Annual Growth Rates (CAGR) for population growth by ZIP code, and projected population growth through the end of the third full fiscal year. The applicant also calculated the discharge use rate per 1,000 people by dividing its historical discharges (obtained from IBM Watson Health) by the historical population and dividing again by 1,000. The applicant adjusted projected use rates based on its own historical trends, projected future market changes, and external data (The Advisory Board).
- The applicant obtained the historical market discharges from IBM Watson Health for its area of patient origin for historical years 2017 to 2018.
- The applicant then calculated discharge use rate per 1000 population and factored in The Advisory Board projection models.
- The applicant then projected market discharges for the interim year 2019 through OY 3 (7/1/25 to 6/30/26).

- The applicant then obtained IP CaroMont Health Discharges from IBM Watson Health for the historical years 2017 and 2018.
- The applicant then calculated CRMC market share including factoring in the development of CRMC-Belmont and the increase in bed capacity at CRMC.
- The applicant then projected CRMC Main discharges.

CaroMont Health System Summary – The following table illustrates projected utilization for acute care beds at all CaroMont facilities in Gaston County.

| <b>CaroMont Projected Total Acute Care Bed Utilization</b> |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | <b>SFY 1</b>          | <b>SFY 2</b>          | <b>SFY 3</b>          |
|  | <b>7/1/23-6/30/24</b> | <b>7/1/24-6/30/25</b> | <b>7/1/25-6/30/26</b> |
| CRMC   | 104,722               | 110,092               | 115,241               |
| CRMC-B   | 7,970                 | 10,730                | 13,611                |
| Projected Total Acute Care Bed Days                        | 112,692               | 120,822               | 128,852               |
| Average Daily Census (ADC)                                 | 308                   | 331                   | 353                   |
| Total # of Beds  | 469                   | 469                   | 469                   |
| Occupancy %  | 65.67%                | 70.57%                | 75.27%                |

As shown in the table above, in the third operating year following completion of the project, the applicant projects that the average occupancy rate for all acute care beds owned by the applicant in Gaston County will be 75.27 percent. This meets the standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to project an occupancy rate of at least 75.2 percent for health systems with a combined ADC of greater than 200.

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

- The applicant operates the only hospital in Gaston County. Based on the applicant’s historical utilization and growth, the 2020 SMFP shows a need for 64 additional acute care beds in Gaston County. This need determination was driven entirely by historical utilization at the applicant’s existing facility.
- The applicant uses population, market share, and inpatient discharge rates supported by historical data and external industry sources.
- The applicant factored in the development of CRMC-Belmont (Project ID#F-11749-19).

**Access**

In Section C, page 58, the applicant states:

*“CaroMont Health makes hospital services accessible to indigent patients without regard to ability to pay. All CaroMont Health facilities and physicians provide services*

*to all residents regardless of race/ethnicity, sex, physical or mental ability, age, and/or source of payment. ...*

*Acute care services will be available at CRMC to patients regardless of their race/ethnicity, sex, gender, sexual orientation, language, culture, national origin, source of payment, age, religious preference or disabilities.”*

In Section L, page 95, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

| <b>Payor Category</b> | <b>Entire Facility as Percent of Total</b> | <b>Acute Care Beds as a Percent of Total</b> |
|-----------------------|--|--|
| Medicaid*             | 18.5%                                      | 14.5%  |
| Medicare*             | 54.7%                                      | 64.1%  |
| Self-Pay              | 6.2%                                       | 5.6%   |
| Insurance*            | 18.5%                                      | 14.1%  |
| Other                 | 2.2%                                       | 1.8%   |
| <b>Total</b>          | <b>100.0%</b>                              | <b>100.0%</b>                                |

Source: Table on page 95 of the application.

\*Including any managed care plans.

The projected payor mix is reasonable and adequately supported.

### **Conclusion**

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

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



NA

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

CA

The applicant proposed to add 64 acute care beds to CaroMont Regional Medical Center pursuant to the need determination in the 2020 SMFP for a total of 415 beds upon completion of this project and Project ID #F-11749-19 (relocate 21 beds to Belmont).

In Section E, pages 69-70, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo - the applicant states that, due to the current utilization at CRMC and the projected utilization growth, maintaining the status quo would lead to a utilization rate of almost 87.1 percent in 2026; therefore, this is not an effective alternative.
- Expand CRMC-Belmont- the applicant states that CRMC-Belmont was designed and proposed to be able to accommodate growth and avoid the costs of future expansion. CaroMont Health already plans to operate CRMC-Belmont for several years prior to proposing an increase in the number of acute care beds at CRMC-Belmont; therefore, this is not an effective alternative.

On page 69, the applicant states that its proposal to backfill existing patient rooms vacated by the construction of the Critical Care Tower and CRMC-Belmont is the most effective alternative because it would require no renovation or construction costs and only 41 of the patient rooms would require bed, furniture and equipment costs.

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

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

**Conclusion**

The Agency reviewed the:

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

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

- 1. Gaston Memorial Hospital, Incorporated and CaroMont Health, Inc. shall materially comply with all representations made in the certificate of need application and any supplemental responses. In the event that representations conflict, Gaston Memorial Hospital, Incorporated and CaroMont Health, Inc. shall materially comply with the last made representation.**
- 2. Gaston Memorial Hospital, Incorporated and CaroMont Health, Inc. shall develop 64 acute care beds at CaroMont Regional Medical Center pursuant to the need determination in the 2020 SMFP for a total of 415 beds upon completion of this project and Project ID #F-11749-19 (relocate 21 beds to Belmont).**
- 3. Upon completion of this project and Project ID# F-11749-19 (relocate 21 acute care beds to CRMC-Belmont), CaroMont Regional Medical Center shall be licensed for no more than 415 acute care beds.**
- 4. Gaston Memorial Hospital, Incorporated and CaroMont Health, Inc. shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 5. 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, Gaston Memorial Hospital, Incorporated and CaroMont Health, Inc. shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
  - a. Payor mix for the services authorized in this certificate of need.**
  - b. Utilization of the services authorized in this certificate of need.**
  - c. Revenues and operating costs for the services authorized in this certificate of need.**
  - d. Average gross revenue per unit of service.**
  - e. Average net revenue per unit of service.**
  - f. Average operating cost per unit of service.**
- 6. Gaston Memorial Hospital, Incorporated and CaroMont Health, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**

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

C

The applicant proposes to add 64 acute care beds to CaroMont Regional Medical Center pursuant to the need determination in the 2020 SMFP for a total of 415 beds upon completion of this project and Project ID #F-11749-19 (relocate 21 beds to Belmont).

**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.

|                     |                    |
|---------------------|--------------------|
| Site Costs          | \$0                |
| Construction Costs  | \$0                |
| Miscellaneous Costs | \$1,531,213        |
| <b>Total</b>        | <b>\$1,531,213</b> |

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

In Section F, page 73, the applicant projects that start-up costs will be \$131,966 and there will be no initial operating costs as CRMC is an existing facility for a total working capital of \$131,966. On page 73, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

**Availability of Funds**

In Section F, page 71, the applicant states that the capital cost will be funded, as shown in the table below.

| Type                         | CaroMont Health, Inc. | Total              |
|------------------------------|-----------------------|--------------------|
| Loans                        | \$0                   | \$0                |
| Accumulated reserves or OE * | \$1,531,213           | \$1,531,213        |
| Bonds                        | \$0                   | \$0                |
| Other (Specify)              | \$0                   | \$0                |
| <b>Total Financing</b>       | <b>\$1,531,213</b>    | <b>\$1,531,213</b> |

\* OE = Owner's Equity

In Section F, page 73, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

| <b>Sources of Financing for Working Capital</b> |  | <b>Amount</b>    |
|---|--|------------------|
| (a)   | Loans  | \$0              |
| (b)   | Cash or Cash Equivalents, Accumulated Reserves or Owner’s Equity | \$131,966        |
| (c)   | Lines of credit  | \$0              |
| (d)   | Bonds  | \$0              |
| (e)   | <b>Total *</b>   | <b>\$131,966</b> |

In Section F, pages 72 and 74, the applicant states the capital cost and working capital cost of the proposed project, respectively, will be funded with the accumulated reserves and cash and cash equivalents of CaroMont Health, Inc.

In Exhibit F.2, the applicant provides a letter dated April 10, 2020 from the CFO for CaroMont Health, Inc., stating CaroMont Health, Inc. will commit \$1,513,213 of its cash and cash equivalents to develop the proposed project and will commit \$131,966 of its cash and cash equivalents to working capital expenses and that per audited financials CaroMont Health has \$17.9 million in cash and cash equivalents.

Exhibit F.2 also contains a copy of the audited combined financial statements for CaroMont Health, Inc., and Affiliates for the year ending June 30, 2019. According to the combined financial statements, as of June 30, 2019, CaroMont Health, Inc. had adequate cash and assets to fund the capital and working capital needs of the proposed project. The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.

**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 for acute care beds operating expenses will exceed revenues in the first three operating years of the project, as shown in the table below.

|  | <b>1<sup>st</sup> Full Fiscal<br/>Year<br/>7/1/23-6/30/24</b> | <b>2<sup>nd</sup> Full Fiscal<br/>Year<br/>7/1/24-6/30/25</b> | <b>3<sup>rd</sup> Full Fiscal<br/>Year<br/>7/1/25-6/30/26</b> |
|--|---|---|---|
| Total Patient Days                         | 104,722   | 110,092   | 115,241   |
| Total Gross Revenues (Charges)             | \$298,777,874   | \$329,804,387   | \$362,490,755   |
| Total Net Revenue                          | \$58,411,074  | \$61,607,459  | \$64,559,603  |
| Average Net Revenue per Patient Days       | \$558   | \$560   | \$560   |
| Total Operating Expenses (Costs)           | \$81,867,732  | \$87,828,481  | \$93,921,620  |
| Average Operating Expense per Patient Days | \$782   | \$798   | \$815   |
| Net Income*                                | (\$23,456,657)  | (\$26,221,021)  | (\$29,362,016)  |

However, while the acute care bed service component shows expenses exceeding revenues for all three project years, CaroMont Health, including the acute care bed service component, overall shows revenues exceeding operating expenses for all three project years, as illustrated in the table below.

|                                  | <b>1<sup>st</sup> Full Fiscal Year<br/>7/1/23-6/30/24</b> | <b>2<sup>nd</sup> Full Fiscal Year<br/>7/1/24-6/30/25</b> | <b>3<sup>rd</sup> Full Fiscal Year<br/>7/1/25-6/30/26</b> |
|----------------------------------|---|---|---|
| Total Gross Revenues (Charges)   | \$3,272,166,000   | \$3,546,729,000   | \$3,844,230,000   |
| Total Net Revenue*               | \$749,903,000   | \$782,449,000   | \$816,519,000   |
| Total Operating Expenses (Costs) | \$749,373,000   | \$777,604,000   | \$806,209,000   |
| Net Income                       | \$8,722,000   | \$13,203,000  | \$18,838,000  |

Source: Section Q and supplemental information.

\*Includes other operating revenue.

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

**Conclusion**

The Agency reviewed the:

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

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

**C**

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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 CaroMont Regional Medical Center which is in Gaston County. Gaston 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 Gaston County. Facilities may also serve residents of counties not included in their service area.

The applicant is the only provider of acute care beds in Gaston County.

In Section G, page 77, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in the defined service area. The applicant states:

*“CRMC is an existing acute care hospital, thus, all components necessary to operate as a licensed, acute care hospital already exist. The utilization model ... shows that the population served by CRMC needs the additional acute care beds proposed ... The project only proposes to increase the county’s inventory of acute care beds.”*

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 64 new acute care beds.
- The applicant adequately demonstrates that the proposed new 64 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 for the reasons stated above.

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

In Section Q, Form H, and supplemental information, 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                        |
|------------------|-------------------------------------|--|
|                  | Prior Full FY<br>(7/1/18 – 6/30/19) | 3rd Full Fiscal Year<br>(7/1/25 – 6/30/26) |
| Managers         | 29.7                                | 34.2                                       |
| Aides/Orderlies  | 205.4                               | 236.2                                      |
| Registered Nurse | 371.6                               | 427.5                                      |
| Clerical         | 7.9                                 | 9.0  |
| <b>TOTAL</b>     | <b>614.6</b>                        | <b>706.9</b>                               |

The assumptions and methodology used to project staffing are provided in Section Q, Form 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 79-80, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section I, page 85, the applicant identifies the current medical director. In Exhibit I.3 (Tab 14), the applicant provides a letter from the medical director indicating an interest in continuing to serve as medical director for the proposed services. In Exhibit H.3 (Tab 11), 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
- Supplemental information requested by the Agency
- Information which was publicly available during the review and used by the Agency

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

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

C

In Section I, page 82, the applicant states that the list below is a brief summary of the ancillary and support services necessary for the proposed services:

- Billing, Accounts Payable, and General Accounting
- Business Office/Admitting
- Facility Management
- Human Resources/Wage and Benefits
- Information Management
- Legal Services
- Materials Management
- Medical Record Services
- Planning and Marketing
- Precertification and Insurance
- Purchasing
- Quality Management and Infection Control
- Risk Management and Utilization Review
- Scheduling
- Staff Education

On page 82, the applicant adequately explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1 (Tab 12).

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 (Tab 13) and I.3 (Tab 14).

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- 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.

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

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the



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

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

NA

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

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NA

The applicant does not propose to construct any new space or renovate any existing space. Therefore, Criterion (12) is not applicable to this review.

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

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

C

In Section L, page 94, and supplemental information, the applicant provides the historical payor mix during the last full fiscal year (7/1/18 to 6/30/19) for the proposed services, as shown in the table below.

| <b>Payor Category</b> | <b>Entire Facility as Percent of Total</b> | <b>Acute Care Beds as a Percent of Total</b> |
|-----------------------|--|--|
| Medicaid*             | 18.5%                                      | 14.5%  |
| Medicare*             | 54.7%                                      | 64.1%  |
| Self-Pay              | 6.2%                                       | 5.6%   |
| Insurance*            | 18.5%                                      | 14.1%  |
| Other                 | 2.2%                                       | 1.8%   |
| <b>Total</b>          | <b>100.0%</b>                              | <b>100.0%</b>                                |

Source: Table on page 94 of the application.

\*Including any managed care plans.

In Section L, page 93, the applicant provides the following comparison.

|                                     | <b>Percentage of Total Patients Served by the Facility or Campus during the Last Full FY</b> | <b>Percentage of the Population of the Service Area</b> |
|-------------------------------------|--|---|
| Female                              | 56.2%  | 51.8%   |
| Male                                | 43.8%  | 48.2%   |
| Unknown                             | 0.0%   | 0.0%  |
| 64 and Younger                      | 54.7%  | 83.9%   |
| 65 and Older                        | 45.3%  | 16.1%   |
| American Indian                     | 0.2%   | 0.6%  |
| Asian                               | 0.4%   | 1.6%  |
| Black or African-American           | 17.9%  | 17.6%   |
| Native Hawaiian or Pacific Islander | 0.0%   | 0.1%  |
| White or Caucasian                  | 77.3%  | 71.8%   |
| Other Race                          | 4.3%   | 8.3%  |
| Declined / Unavailable              | 0.0%   | 0.0%  |

The Agency reviewed the:

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

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L.2, page 94, the applicant states:

*“CaroMont Health fulfilled its Hill-Burton obligation and does not have any related obligation under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and the handicapped. ..., [CaroMont Health and CRMC] provide and will continue to provide charity care pursuant to their obligations as a tax-exempt entity to provide community benefit to promote the health of members of the community.”*

In Section L, page 94, the applicant states that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 95, 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.

| <b>Payor Category</b> | <b>Entire Facility as Percent of Total</b> | <b>Acute Care Beds as a Percent of Total</b> |
|-----------------------|--|--|
| Medicaid*             | 18.5%                                      | 14.5%  |
| Medicare*             | 54.7%                                      | 64.1%  |
| Self-Pay              | 6.2%                                       | 5.6%   |
| Insurance*            | 18.5%                                      | 14.1%  |
| Other                 | 2.2%                                       | 1.8%   |
| <b>Total</b>          | <b>100.0%</b>                              | <b>100.0%</b>                                |

Source: Table on page 95 of the application.

\*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, for the entire facility the applicant projects that 6.2% of total services will be provided to self-pay patients, 54.7% to Medicare patients and 18.5% to Medicaid patients.

On page 95, 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 relies on historical data to project future 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

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

#### Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section M, pages 98-99, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1 (Tab 16).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (15) Repealed effective July 1, 1987.  
(16) Repealed effective July 1, 1987.  
(17) Repealed effective July 1, 1987.  
(18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes to add 64 acute care beds to CaroMont Regional Medical Center pursuant to the need determination in the 2020 SMFP for a total of 415 beds upon completion of this project and Project ID #F-11749-19 (relocate 21 beds to Belmont).

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 CaroMont Regional Medical Center which is in Gaston County. Gaston 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 Gaston County. Facilities may also serve residents of counties not included in their service area.

The applicant is the only provider of acute care beds in Gaston County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 102, the applicant states:

*“CaroMont Health expects the development of expansion of acute care beds at CRMC to have a positive impact on competition in the service area.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 102, the applicant states:

*“CaroMont Health projects to increase its overall volume of services in the service area region, which will increase utilization of acute care beds and of existing services offered at CRMC, resulting in greater economies of scale and efficiencies.”*

Regarding the impact of the proposal on quality, in Section N, page 102, the applicant states:

*“CRMC is the only hospital in the greater Charlotte Metro Region to be recognized by Watson Health as a Top 100 U.S. Hospital in the last three years. CaroMont Health is committed to providing the safest and highest quality of care by striving to eliminate patient harm.”*

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 102-103 , the applicant states:

*“All CaroMont Health facilities and physicians provide services to all residents regardless of race/ethnicity, sex, physical or mental ability, age, and/or source of payment.”*

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 B, F, K, N and Q of the application and any exhibits)
- Quality (see Sections B, N and O of the application and any exhibits)
- Access to medically underserved groups (see Sections B, 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

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 two of this type of facility located in North Carolina, CRMC and CRMC-Belmont. CRMC-Belmont is approved but not yet developed.

In Section O, page 109, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care or which resulted in a finding of immediate jeopardy at CRMC. According to the files in the Acute and Home Care Licensure and Certification Section, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care did not occur at CRMC. 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 CRMC, 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

The application is conforming with all applicable Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800. The specific criteria are discussed below.

**SECTION .3800 – CRITERIA AND STANDARDS FOR ACUTE CARE BEDS**

**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- The applicant proposes to develop 64 new acute care beds pursuant to a need determination in the 2020 SMFP. The projected ADC of the total number of licensed acute care beds proposed to be licensed within the service area and owned by the applicant is greater than 200. 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 the applicant 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 projected 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- See Section C, pages 44-53, for the applicant's discussion of need and Section Q and supplemental information for the applicant's data, assumptions, and methodology used to project utilization of acute care beds and average daily census. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.