

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: July 21, 2020

Findings Date: July 21, 2020

Project Analyst: Celia C. Inman

Assistant Chief: Lisa Pittman

Project ID #: F-11896-20

Facility: Atrium Health Providence Medical Office Building Diagnostic Center

FID #: 200290

County: Mecklenburg

Applicant: Carolinas Physicians Network, Inc.

Project: Develop a new diagnostic center with ultrasound, X-ray and colposcope

### 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.

NA

Carolinas Physicians Network, Inc. (hereinafter referred to as CPN or “the applicant”) proposes to develop a new diagnostic center, Atrium Health Providence Medical Office Building Diagnostic Center (Providence MOB Diagnostic Center), in a medical office building (MOB) being developed at 11530 Providence Road, Charlotte. The combined value of the medical diagnostic equipment costing \$10,000 or more exceeds the statutory threshold of \$500,000 and therefore qualifies as a diagnostic center, which is a new institutional health service, and which requires a certificate of need.

The applicant does not propose to acquire any medical equipment or offer new institutional health services for which there are any need determinations or applicable policies in the 2020 State Medical Facilities Plan (SMFP). Therefore, Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.

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

### C

The applicant proposes to develop a new diagnostic center in Mecklenburg County by providing ultrasound, X-ray, and colposcope diagnostic equipment in a MOB currently under development. The MOB will also be home to several CPN physician clinics, providing a wide variety of services: Family medicine, orthopedic, OB/Gyn, adult specialty (including endocrinology, dermatology, and allergy), pediatric urology, and general pediatric services. The Agency, in Exemption Record #3206, dated February 12, 2020, determined that development of the MOB, to the extent the development was not part of projects requiring a certificate of need, was exempt from certificate of need (CON) review.

In Section A, page 6, the applicant provides an explanation of its corporate ownership structure. CPN's parent company and sole owner is Carolinas Health Network, Inc. The parent company of Carolinas Health Network, Inc. and sole owner of Carolinas Health Network, Inc. is The Charlotte-Mecklenburg Hospital Authority (CMHA). CMHA does business as Atrium Health. Thus, while the applicant for this project is CPN, the applicant and the facility are ultimately affiliated with and are part of CMHA and the Atrium Health system.

#### Designation as a Diagnostic Center

In Section C.1, pages 24-26, the applicant states that the medical diagnostic equipment that will comprise the proposed diagnostic center will be located in multiple physician clinics within the MOB and will serve to optimize CPN's and Atrium Health's ability to provide patient-centered care in a cost-effective manner. The applicant further states that the proposed diagnostic center, which will include new equipment and associated upfitted leased space on both floors of the MOB, includes the following medical diagnostic equipment, each of which is valued at \$10,000 or more:

| <b>Providence MOB Diagnostic Center<br/>Type and Location of Medical Diagnostic Equipment</b> |                        |
|---|------------------------|
| <b>Equipment</b>  | <b>Number of Units</b> |
| <b>MOB Level 1 – Orthopedic Clinic</b>  |                        |
| Orthopedic Ultrasound   | 1                      |
| Orthopedic X-ray  | 1                      |
| <b>MOB Level 1 – Endocrinology Clinic</b>   |                        |
| Endocrinology Ultrasound  | 1                      |
| <b>MOB Level 1 – Ob/Gyn Clinic</b>  |                        |
| Ob/Gyn Ultrasound   | 1                      |
| Ob/Gyn Colposcope   | 1                      |
| <b>MOB Level 2 – Pediatric Urology Clinic</b>   |                        |
| Pediatric Urology Bladder Scanner (Ultrasound)  | 1                      |

In Section Q Form F.1a Capital Cost, the applicant provides the cost of the diagnostic medical equipment and associated upfit of the MOB space as \$323,420 and \$217,810, respectively, which combined exceeds the statutory threshold of \$500,000 and therefore requires certificate of need approval to be designated as a diagnostic center as defined in N.C. Gen. Stat. §131E-176(a). The applicant also attributes additional costs to the development of the diagnostic center in the amount of \$210,114 for a total capital cost of \$751,344.

Patient Origin

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2020 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

The applicant is proposing a new diagnostic center composed of new diagnostic equipment; therefore, there is no historical patient origin. In Section C.3, pages 28-31, the applicant provides the projected patient origin of each proposed piece of diagnostic equipment, culminating in the projected patient origin of the diagnostic center on page 31, as summarized below:

| <b>Providence MOB Diagnostic Center<br/>Projected Patient Origin</b> |                      |                   |                      |                   |                      |                   |
|--|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
| <b>County</b>  | <b>FY1 – CY2022</b>  |                   | <b>FY2 – CY2023</b>  |                   | <b>FY3 – CY2024</b>  |                   |
|  | <b># of Patients</b> | <b>% of Total</b> | <b># of Patients</b> | <b>% of Total</b> | <b># of Patients</b> | <b>% of Total</b> |
| ZIP Code 28277*  | 1,853                | 28.4%             | 3,018                | 28.4%             | 3,946                | 28.6%             |
| ZIP Code 28173*  | 1,443                | 22.1%             | 2,359                | 22.2%             | 3,052                | 22.1%             |
| ZIP Code 28104*  | 757                  | 11.6%             | 1,232                | 11.6%             | 1,598                | 11.6%             |
| ZIP Code 28270*  | 834                  | 12.8%             | 1,350                | 12.7%             | 1,747                | 12.7%             |
| Other Mecklenburg  | 597                  | 9.2%              | 969                  | 9.1%              | 1,257                | 9.1%              |
| Other Union  | 103                  | 1.6%              | 169                  | 1.6%              | 220                  | 1.6%              |
| York (SC)  | 121                  | 1.9%              | 192                  | 1.8%              | 241                  | 1.7%              |
| Other**  | 807                  | 12.4%             | 1,323                | 12.5%             | 1,730                | 12.5%             |
| <b>Total</b>   | <b>6,515</b>         | <b>100.0%</b>     | <b>10,612</b>        | <b>100.0%</b>     | <b>13,792</b>        | <b>100.0%</b>     |

\*ZIP codes 28277 and 28270 are located in Mecklenburg County and ZIP codes 28173 and 28104 are located in Union County

\*\*Other includes Alamance, Alexander, Alleghany, Anson, Ashe, Avery, Beaufort, Bladen, Brunswick, Buncombe, Burke, Cabarrus, Caldwell, Camden, Carteret, Caswell, Catawba, Chatham, Cherokee, Chowan, Clay, Cleveland, Columbus, Craven, Cumberland, Currituck, Dare, Davidson, Davie, Duplin, Durham, Edgecombe, Forsyth, Franklin, Gaston, Graham, Granville, Guilford, Halifax, Harnett, Haywood, Henderson, Hoke, Hyde, Iredell, Jackson, Johnston, Jones, Lee, Lenoir, Lincoln, Macon, Madison, Martin, McDowell, Mitchell, Montgomery, Moore, Nash, New Hanover, Onslow, Orange, Pamlico, Pasquotank, Pender, Person, Pitt, Polk, Randolph, Richmond, Robeson, Rockingham, Rowan, Rutherford, Sampson, Scotland, Stanly, Stokes, Surry, Swain, Transylvania, Vance, Wake, Warren, Watauga, Wayne, Wilkes, Wilson, Yadkin, and Yancey counties, as well as other states.

Source: Section C, page 31

As the table on page 31 of the application and summarized above shows, the applicant projects that the proposed North Carolina service area consists of Mecklenburg and Union counties, with the diagnostic center also serving patients from York County, South Carolina and 90 other North Carolina counties, as well as other states.

In Section C, pages 31-32, the applicant provides the assumptions and methodology used to project its patient origin, stating that the distribution of patients among the areas for each service component is based on CY2019 total CPN experience for the comparable services. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section G, page 65, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, stating:

*“The need for the proposed project is based on the need for CPN to provide convenient access to diagnostic services to support the physician clinics in the MOB. The proposed diagnostic center will serve to optimize CPN’s and Atrium Health’s ability to provide patient-centered care in a cost-effective manner. No other provider can meet the identified need.*”

In Section C, pages 33-37, the applicant states that the need is based upon the following factors:

- The development of Atrium Health Providence's campus which will include the proposed diagnostic center, the MOB, and a freestanding emergency department (page 33),
- The need for medical diagnostic equipment within the MOB housing the CPN physician clinics (pages 33-34), and
- The dynamic population growth and aging in Mecklenburg County (pages 34-36).

The applicant provides supporting documentation in Exhibits C.4-1 and C.4-2 and physician letters of support in Exhibit I.2. The information is reasonable and adequately supported for the following reasons:

- The applicant provides reasonable and adequately supported information to support its assertion that the establishment of the Providence MOB with physician clinics and medical diagnostic equipment will better serve area patients and the proposed Providence emergency department, which is being developed as part of a larger system initiative to bring healthcare closer to where patients live and work.
- Reliable data sources are used to support assertions about population growth:
  - Mecklenburg County, the second fastest growing county in North Carolina, is projected to grow 19.2% between 2020 and 2030
  - Mecklenburg County will have the largest number of residents of childbearing age in 2025, which supports growing utilization of OB/Gyn diagnostic services
  - By 2025, more than 23% of the population in Mecklenburg County will be aged 0-18, which supports growing utilization of pediatric diagnostic services
  - Mecklenburg County will have the second largest number of residents over the age of 65 in 2025, which the applicant states is significant because, typically, older residents utilize healthcare services at a higher rate than younger residents.

#### *Projected Utilization*

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

| <b>Providence MOB Diagnostic Center<br/>Projected Utilization</b> |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
| <b>Component</b>  | <b>FY1<br/>CY2022</b> | <b>FY2<br/>CY2023</b> | <b>FY3<br/>CY2024</b> |
| Orthopedic Ultrasound – Units                                     | 1                     | 1                     | 1                     |
| Orthopedic Ultrasound – Procedures                                | 525                   | 800                   | 1,000                 |
| Orthopedic X-ray – Units  | 1                     | 1                     | 1                     |
| Orthopedic X-ray – Procedures                                     | 3,442                 | 6,050                 | 8,167                 |
| Endocrinology Ultrasound – Units                                  | 1                     | 1                     | 1                     |
| Endocrinology Ultrasound – Procedures                             | 88                    | 128                   | 135                   |
| OB/Gyn Ultrasound - Units   | 1                     | 1                     | 1                     |
| OB/Gyn Ultrasound – Procedures                                    | 1,721                 | 2,430                 | 3,038                 |
| OB/Gyn Colposcope - Units   | 1                     | 1                     | 1                     |
| OB/Gyn Colposcope – Procedures                                    | 115                   | 162                   | 203                   |
| Pediatric Bladder Ultrasound – Units                              | 1                     | 1                     | 1                     |
| Pediatric Bladder Ultrasound – Procedures                         | 625                   | 1,042                 | 1,250                 |

In Section Q Form C Utilization-Assumptions and Methodology, the applicant provides the assumptions and methodology used to project the proposed diagnostic center utilization, which are summarized below, beginning with general diagnostic center assumptions, and moving to component specific assumptions.

- Operations begin July 1, 2021. CPN’s fiscal year (FY) corresponds to the calendar year (CY); therefore, the first three full fiscal years of the project are CY2022, CY2023, and CY2024. Thus, the applicant’s methodology provides operational year (OY) data for four years (July 1 through June 30) to convert to the first three full fiscal years.
- The proposed services are new services; therefore, there is no historical data.
- The projected utilization is based on the historical utilization of comparable Atrium Health and CPN physician clinics that offer the same medical diagnostic services proposed in this application and are similar in terms of size and scope.
- The assumed maximum capacity of the equipment is determined primarily by staffing and provider availability for each service. The applicant further states that, except for orthopedic X-ray and Ob/Gyn ultrasound, none of the equipment has dedicated staff and will be used by physicians as needed for their diagnostic requirements. The applicant states the equipment proposed is intended to maximize the efficiency of the physicians using the equipment and efficiency of care to patients rather than to maximize utilization of the equipment. CPN will staff and schedule the equipment as warranted by patient demand and to provide a consistent schedule of service.

*Orthopedic Ultrasound*

The applicant states that the orthopedic ultrasound equipment will be used for both general orthopedic ultrasound and sports medicine orthopedic ultrasound and projects utilization with the following assumptions:

- Based on historical experience of comparable CPN clinics, the applicant assumes that one general orthopedic provider or sports medicine provider (1.0 full-time equivalent

(FTE) position) will perform 500 ultrasounds per year in a mature, fully ramped up clinic.

- The applicant assumes a ramp-up for general orthopedic ultrasound of both provider FTE position and procedures. Ramp-up of provider FTE position is 0.5 in OY1 and OY2, and 1.0 in OY3 and OY4. Ramp-up of procedures is assumed at 60% in OY1, 80% in OY2, and 100% in OY3 and OY4. The applicant assumes the same ramp-up of procedures (not providers) for projected sports medicine ultrasound. The assumptions result in the following projection for general and sport medicine orthopedic ultrasound utilization.

**Projected General Orthopedic Ultrasound Utilization**

|  | OY1        | OY2        | OY3        | OY4        |
|--|------------|------------|------------|------------|
| Provider FTE Positions                               | 0.5        | 0.5        | 1.0        | 1.0        |
| General Orthopedic Ultrasound Procedures per 1.0 FTE | 500        | 500        | 500        | 500        |
| Ramp-up %  | 60.0%      | 80.0%      | 100.0%     | 100.0%     |
| <b># General Orthopedic Ultrasound Procedures</b>    | <b>150</b> | <b>200</b> | <b>500</b> | <b>500</b> |

**Projected Sports Medicine Orthopedic Ultrasound Utilization**

|  | OY1        | OY2        | OY3        | OY4        |
|--|------------|------------|------------|------------|
| Provider FTE Positions                                     | 1.0        | 1.0        | 1.0        | 1.0        |
| Sports Medicine Orthopedic Ultrasound Procedures / 1.0 FTE | 500        | 500        | 500        | 500        |
| Ramp-up %  | 60.0%      | 80.0%      | 100.0%     | 100.0%     |
| <b># Sports Medicine Orthopedic Ultrasound Procedures</b>  | <b>300</b> | <b>400</b> | <b>500</b> | <b>500</b> |

**Total Projected Orthopedic Ultrasound Utilization**

|  | OY1        | OY2        | OY3          | OY4          |
|--|------------|------------|--------------|--------------|
| General Orthopedic Ultrasound Procedures         | 150        | 200        | 500          | 500          |
| Sports Medicine Orthopedic Ultrasound Procedures | 300        | 400        | 500          | 500          |
| <b>Total Orthopedic Ultrasound Procedures</b>    | <b>450</b> | <b>600</b> | <b>1,000</b> | <b>1,000</b> |

- The applicant states that based on the lack of dedicated staffing and no assumed hours per day of availability, there is no calculated annual capacity for this diagnostic equipment. The applicant further states that with only one orthopedic ultrasound unit, any reduction in capacity would deny access to patients at the proposed diagnostic center.

| Equipment Type        | # Units | Maximum Capacity | OY3 Projected Utilization | OY3 Percent Capacity |
|-----------------------|---------|------------------|---------------------------|----------------------|
| Orthopedic Ultrasound | 1       | NA*              | 1,000                     | NA                   |

\*However, if the orthopedic ultrasound were fully staffed by dedicated physicians each day, maximum annual capacity on the one piece of equipment would be 3,500 procedures.

Orthopedic X-ray

The applicant states that the orthopedic X-ray equipment will be used for both general orthopedic X-ray and sports medicine orthopedic X-ray and projects utilization with the following assumptions:

- Based on historical experience of comparable CPN clinics, the applicant assumes that one general orthopedic provider (1.0 FTE position) will perform 6,500 X-rays per year in a mature, fully ramped up clinic. One sports medicine provider is assumed to perform 1,667 X-rays per year in a fully ramped up clinic.
- The applicant assumes a ramp-up for general orthopedic X-ray of both provider FTE and procedures. Ramp-up of provider FTE is 0.5 in OY1 and OY2, and 1.0 in OY3 and OY4. Ramp-up of procedures is assumed at 60% in OY1, 80% in OY2, and 100% in OY3 and OY4. The applicant assumes the same ramp-up of procedures (not providers) for projected sports medicine X-ray. The assumptions result in the following projection for general and sport medicine orthopedic X-ray utilization.

**Projected General Orthopedic X-ray Utilization**

|   | OY1          | OY2          | OY3          | OY4          |
|---|--------------|--------------|--------------|--------------|
| Provider FTE Positions                          | 0.5          | 0.5          | 1.0          | 1.0          |
| General Orthopedic X-ray Procedures per 1.0 FTE | 6,500        | 6,500        | 6,500        | 6,500        |
| Ramp-up %                                       | 60.0%        | 80.0%        | 100.0%       | 100.0%       |
| <b># General Orthopedic X-ray Procedures</b>    | <b>1,950</b> | <b>2,600</b> | <b>6,500</b> | <b>6,500</b> |

**Projected Sports Medicine Orthopedic X-ray Utilization**

|   | OY1          | OY2          | OY3          | OY4          |
|---|--------------|--------------|--------------|--------------|
| Provider FTE Positions                                | 1.0          | 1.0          | 1.0          | 1.0          |
| Sports Medicine Orthopedic X-ray Procedures / 1.0 FTE | 1,667        | 1,667        | 1,667        | 1,667        |
| Ramp-up %   | 60.0%        | 80.0%        | 100.0%       | 100.0%       |
| <b># Sports Medicine Orthopedic X-ray Procedures</b>  | <b>1,000</b> | <b>1,333</b> | <b>1,667</b> | <b>1,667</b> |

**Total Projected Orthopedic X-ray Utilization**

|   | OY1          | OY2          | OY3          | OY4          |
|---|--------------|--------------|--------------|--------------|
| General Orthopedic X-ray Procedures         | 1,950        | 2,600        | 6,500        | 6,500        |
| Sports Medicine Orthopedic X-ray Procedures | 1,000        | 1,333        | 1,667        | 1,667        |
| <b>Total Orthopedic X-ray Procedures</b>    | <b>2,950</b> | <b>3,933</b> | <b>8,167</b> | <b>8,167</b> |



- Based on the calculated maximum capacity of the X-ray equipment, determined by staffed operations (Section C.7, page 38), the applicant projects the orthopedic X-ray equipment will operate at 78% of capacity in OY3 and OY4.

| Equipment Type   | # Units | Maximum Capacity | OY3/OY4 Projected Utilization | OY3/OY4 Percent Capacity |
|------------------|---------|------------------|-------------------------------|--------------------------|
| Orthopedic X-ray | 1       | 10,500           | 8,167                         | 77.8%                    |

Endocrinology Ultrasound

The applicant states that the endocrinology ultrasound equipment will be used to locate masses throughout the endocrine system, guide biopsies, and begin courses of treatment specific to each patient; and projects utilization with the following assumptions:

- Based on historical experience of comparable CPN clinics, the applicant assumes that one endocrinology provider (1.0 FTE position) will perform 135 ultrasounds per year in a mature, fully ramped up clinic.
- The applicant assumes a ramp-up for endocrinology ultrasound of both provider FTE position and procedures. Ramp-up of provider FTE position is 0.5 in OY1, and 1.0 in OY2 - OY4. Ramp-up of procedures is assumed at 80% in OY1, 90% in OY2, and 100% in OY3 and OY4, resulting in the following for endocrinology ultrasounds.

**Projected Endocrinology Ultrasound Utilization**

|   | OY1       | OY2        | OY3        | OY4        |
|---|-----------|------------|------------|------------|
| Provider FTE Positions                          | 0.5       | 1.0        | 1.0        | 1.0        |
| Endocrinology Ultrasound Procedures per 1.0 FTE | 135       | 135        | 135        | 135        |
| Ramp-up %                                       | 80.0%     | 90.0%      | 100.0%     | 100.0%     |
| <b># Endocrinology Ultrasound Procedures</b>    | <b>54</b> | <b>122</b> | <b>135</b> | <b>135</b> |

- The applicant states that based on the lack of dedicated staffing and no assumed hours per day of availability, there is no calculated annual capacity for this diagnostic equipment. The applicant further states that with only one endocrinology ultrasound unit, any reduction in capacity would deny access to patients at the proposed diagnostic center.

| Equipment Type           | # Units | Maximum Capacity | OY3 Projected Utilization | OY3 Percent Capacity |
|--------------------------|---------|------------------|---------------------------|----------------------|
| Endocrinology Ultrasound | 1       | NA*              | 135                       | NA                   |

\*However, if the endocrinology ultrasound were fully staffed by dedicated physicians each day, maximum annual capacity on the one piece of equipment would be 3,500 procedures.

Ob/Gyn Ultrasound

The applicant states that the Ob/Gyn ultrasound equipment will be used to produce internal images of a woman’s bladder, uterus, fallopian tubes, cervix and ovaries; and projects utilization with the following assumptions:

- Based on historical experience of comparable CPN clinics, the applicant assumes that one Ob/Gyn provider (1.0 FTE position) will perform 1,012.5 ultrasounds per year in a mature, fully ramped up clinic.
- The applicant assumes 2.0 FTE provider positions in the first and second operating years and 3.0 FTE provider positions in the third and fourth operating years. The applicant assumes a ramp-up in procedures of 80% in OY1, 90% in OY2, and 100% in OY3 and OY4, resulting in the following projection for Ob/Gyn ultrasound utilization.

**Projected Ob/Gyn Ultrasound Utilization**

|  | <b>OY1</b>   | <b>OY2</b>   | <b>OY3</b>   | <b>OY4</b>   |
|--|--------------|--------------|--------------|--------------|
| Provider FTE Positions                   | 2.0          | 2.0          | 3.0          | 3.0          |
| Ob/Gyn Ultrasound Procedures per 1.0 FTE | 1,012.5      | 1,012.5      | 1,012.5      | 1,012.5      |
| Ramp-up %                                | 80.0%        | 90.0%        | 100.0%       | 100.0%       |
| <b># Ob/Gyn Ultrasound Procedures</b>    | <b>1,620</b> | <b>1,823</b> | <b>3,038</b> | <b>3,038</b> |

- Based on the calculated maximum capacity of the Ob/Gyn ultrasound equipment, determined by planned staffed operations (Section C.7, page 38), the applicant projects the proposed equipment will operate at 87% of capacity in OY3 and OY4.

| <b>Equipment Type</b> | <b># Units</b> | <b>Maximum Capacity</b> | <b>OY3/OY4 Projected Utilization</b> | <b>OY3/OY4 Percent Capacity</b> |
|-----------------------|----------------|-------------------------|--------------------------------------|---------------------------------|
| OB/Gyn Ultrasound     | 1              | 3,500                   | 3,038                                | 86.8%                           |

Ob/Gyn Colposcope

The applicant states that the Ob/Gyn colposcope equipment will be used for diagnostic imaging of the cervix, and projects utilization with the following assumptions:

- Based on historical experience of comparable CPN clinics, the applicant assumes that one Ob/Gyn provider (1.0 FTE position) will perform 68 colposcopes per year in a mature, fully ramped up clinic.
- The applicant assumes 2.0 FTE provider positions in the first and second operating years and 3.0 FTE provider positions in the third and fourth operating years. The applicant assumes a ramp-up in procedures of 80% in OY1, 90% in OY2, and 100% in OY3 and OY4, resulting in the following for Ob/Gyn colposcope utilization.

**Projected Ob/Gyn Colposcope Utilization**

|  | <b>OY1</b> | <b>OY2</b> | <b>OY3</b> | <b>OY4</b> |
|--|------------|------------|------------|------------|
| Provider FTE Positions                   | 2.0        | 2.0        | 3.0        | 3.0        |
| Ob/Gyn Colposcope Procedures per 1.0 FTE | 68         | 68         | 68         | 68         |
| Ramp-up %                                | 80.0%      | 90.0%      | 100.0%     | 100.0%     |
| <b># Ob/Gyn Colposcope Procedures</b>    | <b>108</b> | <b>122</b> | <b>203</b> | <b>203</b> |

- The applicant states that based on the lack of dedicated staffing and no assumed hours per day of availability, there is no calculated annual capacity for this diagnostic equipment. The applicant further states that with only one Ob/Gyn colposcope unit, any reduction in capacity would deny access to patients at the proposed diagnostic center.

| <b>Equipment Type</b> | <b># Units</b> | <b>Maximum Capacity</b> | <b>OY3 Projected Utilization</b> | <b>OY3 Percent Capacity</b> |
|-----------------------|----------------|-------------------------|----------------------------------|-----------------------------|
| OB/Gyn Colposcope     | 1              | NA*                     | 203                              | NA                          |

\*However, if the endocrinology ultrasound were fully staffed by dedicated physicians each day, maximum annual capacity on the one piece of equipment would be 3,500 procedures.

*Pediatric Bladder Ultrasound*

The applicant states that a bladder scanner is a portable, hand-held ultrasound device used by a physician to perform a non-invasive scan of the bladder, and projects utilization with the following assumptions:

- Based on historical experience of comparable CPN clinics, the applicant assumes that one pediatric urology provider (1.0 FTE position) will perform 1,250 pediatric bladder ultrasounds per year in a mature, fully ramped up clinic.

- The applicant assumes 1.0 FTE provider positions in each of the four operating years. The applicant assumes a ramp-up in procedures of 33.3% in OY1, 66.7% in OY2, and 100% in OY3 and OY4, resulting in the following for projected procedures.

**Projected Pediatric Bladder Ultrasound Utilization**

|   | OY1        | OY2        | OY3          | OY4          |
|---|------------|------------|--------------|--------------|
| Provider FTE Positions                              | 1.0        | 1.0        | 1.0          | 1.0          |
| Pediatric Bladder Ultrasound Procedures per 1.0 FTE | 1,250      | 1,250      | 1,250        | 1,250        |
| Ramp-up %   | 33.3%      | 66.7%      | 100.0%       | 100.0%       |
| <b># Pediatric Bladder Ultrasound Procedures</b>    | <b>417</b> | <b>833</b> | <b>1,250</b> | <b>1,250</b> |

- The applicant states that based on the lack of dedicated staffing and no assumed hours per day of availability, there is no calculated annual capacity for this diagnostic equipment. The applicant further states that with only one pediatric urology bladder ultrasound, any reduction in capacity would deny access to patients at the proposed diagnostic center.

| Equipment Type               | # Units | Maximum Capacity | OY3 Projected Utilization | OY3 Percent Capacity |
|------------------------------|---------|------------------|---------------------------|----------------------|
| Pediatric Bladder Ultrasound | 1       | NA*              | 1,250                     | NA                   |

\*However, if the bladder ultrasound were fully staffed by dedicated physicians each day, maximum annual capacity on the one piece of equipment would be 10,500 procedures.

Following the assumptions and methodology above for each service component results in the following diagnostic center equipment projections for the first four operating years of the project.

| <b>Providence MOB Diagnostic Center<br/>Projected Utilization</b> |       |       |       |       |
|---|-------|-------|-------|-------|
| Component   | OY1   | OY2   | OY3   | OY4   |
| Orthopedic Ultrasound Procedures                                  | 450   | 600   | 1,000 | 1,000 |
| Orthopedic X-ray Procedures                                       | 2,950 | 3,933 | 8,167 | 8,167 |
| Endocrinology Ultrasound Procedures                               | 54    | 122   | 135   | 135   |
| OB/Gyn Ultrasound Procedures                                      | 1,650 | 1,823 | 3,038 | 3,038 |
| OB/Gyn Colposcope Procedures                                      | 108   | 122   | 203   | 203   |
| Pediatric Bladder Ultrasound Procedures                           | 417   | 833   | 1,250 | 1,250 |

The applicant converts the operating year (July 1 - June 30) utilization as provided above to the applicant’s fiscal years (calendar years) using the following formulas:

$$\begin{aligned} \text{Partial FY} &= \text{CY2021} = 0.5 \times \text{OY1} \\ \text{FY1} &= \text{CY2022} = 0.5 \times \text{OY1} + 0.5 \times \text{OY2} \\ \text{FY2} &= \text{CY2023} = 0.5 \times \text{OY2} + 0.5 \times \text{OY3} \\ \text{FY3} &= \text{CY2024} = 0.5 \times \text{OY3} + 0.5 \times \text{OY4} \end{aligned}$$

The conversion from operating year to fiscal year using the above formulas results in the equipment projections, as summarized below:

| <b>Providence MOB Diagnostic Center<br/>Projected Utilization</b> |                              |                       |                       |                       |
|---|------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Component</b>  | <b>Partial FY<br/>CY2021</b> | <b>FY1<br/>CY2022</b> | <b>FY2<br/>CY2023</b> | <b>FY3<br/>CY2024</b> |
| Orthopedic Ultrasound Procedures                                  | 225                          | 525                   | 800                   | 1,000                 |
| Orthopedic X-ray Procedures                                       | 1,475                        | 3,442                 | 6,050                 | 8,167                 |
| Endocrinology Ultrasound Procedures                               | 27                           | 88                    | 128                   | 135                   |
| OB/Gyn Ultrasound Procedures                                      | 810                          | 1,721                 | 2,430                 | 3,038                 |
| OB/Gyn Colposcope Procedures                                      | 54                           | 115                   | 162                   | 203                   |
| Pediatric Bladder Ultrasound Procedures                           | 208                          | 625                   | 1,042                 | 1,250                 |
| <b>Total Diagnostic Procedures</b>                                | <b>2,799</b>                 | <b>6,516</b>          | <b>10,612</b>         | <b>13,793</b>         |

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

- Projected utilization is based on the historical experience of comparable CPN clinics.
- The applicant uses a reasonable ramp-up for services in the first four operational years.
- The applicant provides reasonable and adequately supported information to justify the need for equipment which is projected to be utilized at lower than maximum capacity rates.

Access

In Section C.11, pages 45-46, the applicant discusses access and states:

*“Consistent with all CMHA facilities, CPN provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age disability, or source of payment. As such, CMHA d/b/a Atrium Health’s system-wide policies and procedures with regard to access to care will apply to the proposed diagnostic center.”*

Atrium Health’s Non-Discrimination Policy Statement in Exhibit C.11-1 states:

*“No individual shall be subject to discrimination or denied the benefits of the services, programs, or activities of the Carolinas HealthCare System on the basis of race, color, religion, national origin, age, sex, sexual orientation, gender identity, gender expression, disability or source of payment.”*

In Section L.3, page 82, the applicant projects payor mix during the third full fiscal year of operation following completion of the project, as summarized in the following table.

**Providence MOB Diagnostic Center Payor Mix  
 CY2024**

| Payor Source | Entire Facility | Orthopedic Ultrasound | Orthopedic X-ray | Endocrinology Ultrasound | Ob/Gyn Ultrasound | Ob/Gyn Colposcope | Bladder Ultrasound |
|--------------|-----------------|-----------------------|------------------|--------------------------|-------------------|-------------------|--------------------|
| Self-Pay     | 2.9%            | 2.2%                  | 3.3%             | 0.4%                     | 3.6%              | 3.3%              | 0.0%               |
| Medicare*    | 21.4%           | 31.1%                 | 30.1%            | 46.5%                    | 3.5%              | 6.0%              | 0.0%               |
| Medicaid*    | 7.1%            | 2.5%                  | 3.3%             | 1.1%                     | 9.8%              | 5.1%              | 29.4%              |
| Insurance*   | 65.5%           | 62.4%                 | 59.1%            | 50.9%                    | 82.3%             | 85.2%             | 67.6%              |
| Other**      | 3.1%            | 1.9%                  | 4.2%             | 1.1%                     | 0.7%              | 0.3%              | 2.9%               |
| <b>Total</b> | <b>100.0%</b>   | <b>100.0%</b>         | <b>100.0%</b>    | <b>100.0%</b>            | <b>100.0%</b>     | <b>100.0%</b>     | <b>100.0%</b>      |

Totals and percentages may not calculate due to rounding

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

\*Including any managed care plans

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

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information 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 proposed project does not involve the reduction, relocation, or elimination of a facility or a service.

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

CA

The applicant proposes to develop a new diagnostic center in Mecklenburg County by providing ultrasound, X-ray, and colposcope diagnostic equipment in a MOB currently under development.

In Section E, page 55, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

Maintain the Status Quo: The applicant states this option would not allow enhanced and more convenient access to care for CPN diagnostic services and patients would be forced to have diagnostic services performed at another location. Therefore, the applicant determined this alternative is not an effective alternative.

Develop a Different Number of Equipment Units: The applicant states that developing less capacity than proposed would not ensure that physicians and patients would not have to wait unnecessarily for an available unit of equipment to perform or receive diagnostic services. The applicant further states that it does not believe that projected patient demand warrants more capacity at this time. Therefore, the applicant determined this alternative is not an effective alternative.

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

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

Conclusion

The Agency reviewed the:

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

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

- 1. Carolinas Physicians Network, Inc. shall materially comply with all representations made in the certificate of need application.**
  - 2. Carolinas Physicians Network, Inc. shall develop a diagnostic center in the MOB at 11530 Providence Road in Charlotte by acquiring ultrasound, X-ray, and colposcope diagnostic equipment.**
  - 3. Carolinas Physicians Network, Inc., as part of this project, shall not acquire any equipment that is not included in the project's proposed capital expenditures in Sections F and Q of the application or that would otherwise require a certificate of need.**
  - 4. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Carolinas Physicians Network, Inc. shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. Payor mix for the services authorized in this certificate of need.**
    - b. Utilization of the services authorized in this certificate of need.**
    - c. Revenues and operating costs for the services authorized in this certificate of need.**
    - d. Average gross revenue per unit of service.**
    - e. Average net revenue per unit of service.**
    - f. Average operating cost per unit of service.**
  - 5. Carolinas Physicians Network, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to insurance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to develop a new diagnostic center by providing ultrasound, X-ray, and colposcope diagnostic equipment in a MOB currently under development.



### Capital and Working Capital Costs

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

| <b>Capital Cost</b>                             | <b>CPN</b>       |
|---|------------------|
| Site Prep, Construction/Renovation, Landscaping | \$255,192        |
| Medical Equipment Costs                         | \$323,420        |
| Non-Medical Equipment/Furniture                 | \$32,453         |
| Consultant/A&E Fees                             | \$92,761         |
| Miscellaneous Costs/Contingency                 | \$47,518         |
| <b>Total</b>                                    | <b>\$751,344</b> |

In Section Q, the applicant provides the assumptions used to project the capital cost. Exhibit F.1 contains a copy of the architect's capital cost estimate.

In Section F, page 59, the applicant projects that start-up costs will be \$23,502 and initial operating expenses will be \$35,253 for a total working capital cost of \$58,755. On page 59, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

### Availability of Funds

In Sections F.2 and F.3, pages 57-60, the applicant states the capital and working capital costs of the project will be funded via accumulated reserves of CMHA/Atrium Health. Exhibit F.2-1 contains a letter dated April 15, 2020 from the Executive Vice President and Chief Financial Officer of Atrium Health, who also serves as the Treasurer of CPN, stating CMHA will be responsible for the projected capital needs of \$751,344 and working capital needs of the project up to \$250,000. The letter further states that CPN will fully commit the funding costs provided to it by CMHA to develop the proposed project.

Exhibit F.2-2 contains the audited financial statements for CMHA/Atrium Health for the years ending December 31, 2018 and 2017. As of December 31, 2018, CMHA's Primary Enterprise had cash and cash equivalents of \$82,900,000, current assets of more than \$1 Billion and a net position of more than \$5 Billion.

### Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project for each service component and the diagnostic center. In Section Q Form F.2 Revenues and Net Income, the applicant projects that total diagnostic center revenues will exceed operating expenses in the first three fiscal years of the project, as shown in the table below.

| <b>Providence MOB Diagnostic Center<br/>Revenue and Expenses</b> |               |               |               |
|--|---------------|---------------|---------------|
|  | <b>CY2022</b> | <b>CY2023</b> | <b>CY2024</b> |
| Total Procedures   | 6,516         | 10,612        | 13,793        |
| Total Gross Revenues (Charges)                                   | \$926,999     | \$1,456,707   | \$1,911,826   |
| Adjustments to Revenue*  | \$439,559     | \$698,263     | \$918,508     |
| Total Net Revenue  | \$487,440     | \$758,444     | \$993,318     |
| Average Net Revenue / Procedure                                  | \$75          | \$71          | \$72          |
| Total Operating Expenses (Costs)                                 | \$396,751     | \$503,707     | \$572,745     |
| Average Operating Expense / Procedure                            | \$61          | \$47          | \$42          |
| Net Income / (Loss)  | \$90,689      | \$254,736     | \$420,573     |

Totals may not sum due to rounding

\* Includes Charity Care and Bad Debt as follows:

|              | <b>CY2022</b> | <b>CY2023</b> | <b>CY2024</b> |
|--------------|---------------|---------------|---------------|
| Charity Care | \$23,475      | \$36,534      | \$48,166      |
| Bad Debt     | \$58,679      | \$92,210      | \$121,019     |

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 for the following reasons:

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

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

C

The applicant proposes to develop a new diagnostic center in Mecklenburg County by providing ultrasound, X-ray, and colposcope in a MOB currently under development.

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2020 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant. In Section C, page 31, the applicant proposes that its service area will be Mecklenburg and Union counties in North Carolina and York County in South Carolina. The diagnostic center will also serve patients from other North Carolina counties and other states.

In Section G, page 64, the applicant provides a list of 13 existing and approved hospitals which provide diagnostic services in Mecklenburg and Union counties in North Carolina and York County in South Carolina, the counties from which the applicant expects 86% of its patients to originate. Exhibit G-2 contains the most recently available annual utilization for diagnostic services as reported by the existing hospitals in Mecklenburg and Union counties in North Carolina and York County in South Carolina.

On page 65, the applicant provides a list of the ten existing and approved diagnostic centers that are owned or operated by CPN or a related entity. The applicant states that it is unaware of any publicly available data to show inventory and utilization of existing and approved non-hospital-based facilities and equipment providing services like those proposed in this application.

In Section G, pages 65, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved diagnostic center services in its proposed service area. The applicant states:

*“The need for the proposed project is based on the need for CPN to provide convenient access to diagnostic services to support the physician clinics in the MOB. The proposed diagnostic center will serve to optimize CPN’s and Atrium Health’s ability to provide patient-centered care in a cost-effective manner. No other provider can meet the identified need. Further, though other imaging and diagnostic services may be available in the service area, they are not reasonably available to the patients of the CPN physicians who will practice at Atrium Health Providence MOB. Specifically, use of such equipment would require leaving the physician office building, registering as a patient at another facility, waiting hours, days, or weeks for an available appointment, then having to return to the CPN practice. Compared to the availability of the service within the same building, typically during the same visit, the use of other capacity in the service area is ineffective at providing sufficient access to patients.”*

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

adequately demonstrates that the proposed diagnostic center is needed in addition to the existing or approved diagnostic centers.

Conclusion

The Agency reviewed the:

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

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

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

C

In Section Q Form H Staffing, the applicant provides projected FTE positions for the proposed services as summarized in the following table.

| Position   | FTEs<br>CY2022-CY2024 |
|--|-----------------------|
| Radiology Technicians – Orthopedic Clinic (X-ray)  | 1.00                  |
| Radiology Technicians – Ob/Gyn Clinic (Ultrasound) | 1.00                  |
| <b>Total</b>                                       | <b>2.00</b>           |

Source: Form H in Section Q of the application.

In Section Q Form H Assumptions, the applicant provides its assumptions and methodology for projecting utilization of the proposed facility, stating that the FTE positions shown are the only dedicated staff for any of the proposed services and do not include clinic physicians or advanced care practitioners. As discussed in Section C.7(b) and noted in the Form F.3 Clinic Assumptions, the orthopedic ultrasound, endocrinology ultrasound, Ob/Gyn colposcope, and pediatric bladder ultrasound are operated by providers, as needed, and have no dedicated staff.

Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3 Operating Costs, which is found in Section Q. In Section H, pages 67-68, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

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

## Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

## C

In Section I, page 69, the applicant states that the necessary ancillary and support services for the proposed diagnostic center may include the following:

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

On page 69, the applicant adequately explains how each ancillary and support service will be made available either through the MOB lease or by existing staff employed in the CPN physician clinics.

In Section I, page 69, the applicant describes its efforts to develop relationships with other local health care and social service providers. The applicant states:

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

The applicant provides supporting documentation in Exhibit I.2.

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

## Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

NA

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

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing

the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

### C

In Section K, page 74, the applicant states that the project involves upfitting a total of 781 square feet of leased space on both floors in a medical office building currently under development. Line drawings are provided in Exhibit C.1.

In Section K, page 75, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

In Section K, page 75, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services. The applicant states that the proposed project will allow CPN physicians to provide their patients with comprehensive care that includes both physician and diagnostic services at a low out-of-pocket cost to most patients. The applicant further states that as part of the larger Atrium Health system, the proposed diagnostic center benefits from significant cost savings measures through the consolidation of multiple services and large economies of scale.

In Section K, pages 75-76, 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;

NA

The proposed project is for the development of a new diagnostic center. Therefore, there is no historical data.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 81, the applicant states that it has no such obligations. The applicant further states that as part of Atrium Health, CPN provides and will continue to provide services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment.

In Section L, page 81, the applicant states that no patient civil rights access complaints have been filed against CPN or any related entity of Atrium Health during the last five years.

### Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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.3, page 82, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as summarized in the following table.



**Providence MOB Diagnostic Center Payor Mix  
 CY2024**

| <b>Payor Source</b> | <b>Entire Facility</b> | <b>Orthopedic Ultrasound</b> | <b>Orthopedic X-ray</b> | <b>Endocrinology Ultrasound</b> | <b>Ob/Gyn Ultrasound</b> | <b>Ob/Gyn Colposcope</b> | <b>Bladder Ultrasound</b> |
|---------------------|------------------------|------------------------------|-------------------------|---------------------------------|--------------------------|--------------------------|---------------------------|
| Self-Pay            | 2.9%                   | 2.2%                         | 3.3%                    | 0.4%                            | 3.6%                     | 3.3%                     | 0.0%                      |
| Medicare*           | 21.4%                  | 31.1%                        | 30.1%                   | 46.5%                           | 3.5%                     | 6.0%                     | 0.0%                      |
| Medicaid*           | 7.1%                   | 2.5%                         | 3.3%                    | 1.1%                            | 9.8%                     | 5.1%                     | 29.4%                     |
| Insurance*          | 65.5%                  | 62.4%                        | 59.1%                   | 50.9%                           | 82.3%                    | 85.2%                    | 67.6%                     |
| Other**             | 3.1%                   | 1.9%                         | 4.2%                    | 1.1%                            | 0.7%                     | 0.3%                     | 2.9%                      |
| <b>Total</b>        | <b>100.0%</b>          | <b>100.0%</b>                | <b>100.0%</b>           | <b>100.0%</b>                   | <b>100.0%</b>            | <b>100.0%</b>            | <b>100.0%</b>             |

Totals and percentages may not calculate due to rounding

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

\*Including any managed care plans

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

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 2.9 percent of total diagnostic center services will be provided to self-pay patients, 21.4 percent to Medicare patients, and 7.1 percent to Medicaid patients.

In Section L, pages 82-83, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- Projected payor mix is based on CPN's historical experience in providing comparable services.
- The applicant provides reasonable and adequately supported information to support the projected payor mix in future years.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 84, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section M, page 85, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

## C

The applicant proposes to develop a new diagnostic center in Mecklenburg County by providing ultrasound, X-ray, and colposcope diagnostic equipment in a MOB currently under development.

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2020 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant. In Section C, page 31, the applicant proposes that its service area will be Mecklenburg and Union counties in North Carolina and York County in South Carolina. The diagnostic center will also serve patients from other North Carolina counties and other states.

In Section N, pages 87-88, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality, and access to the proposed services. The applicant states the proposed project will enhance competition in the service area by promoting cost effectiveness, quality, and access to diagnostic services.

Regarding cost-effectiveness, on page 87, the applicant states:

*“The proposed project is indicative of the commitment of CPN and Atrium Health to containing healthcare costs and maximizing healthcare benefit per dollar expended.”*

With regard to quality, on page 87, the applicant states:

*“CPN and Atrium Health are dedicated to providing the highest quality care and are continually recognized locally and nationally for their commitment to delivering efficient, quality care.”*

With regard to access, on page 88, the applicant states that CPN and Atrium Health have long-promoted economic access to their services as dictated by the mission of Atrium Health: “*To improve health, elevate hope, and advance healing – for all.*” The applicant states:

*“Further, as a physician-based service, the proposed diagnostic center will provide services at a low out-of-pocket cost to most patients.”*

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

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

- Quality services will be provided (see Sections C, N, and O of the application and any exhibits).
- Access will be provided to 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 publicly available during the review and used by the Agency

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

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

### C

In Section Q Form A Facilities, the applicant identifies all other diagnostic centers in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of ten diagnostic centers located in North Carolina.

In Section O, page 92, the applicant states,

*“Each of the facilities identified in Form A Facilities has continually maintained all relevant licensure, certification, and accreditation . . . for the 18 months preceding the submission of this application.”*

After reviewing and considering information provided by the applicant regarding the quality of care provided at all ten diagnostic centers, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

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