

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: April 21, 2022

Findings Date: April 21, 2022

Project Analyst: Julie M. Faenza

Co-Signer: Gloria C. Hale

Project ID #: F-12186-22

Facility: Atrium Health Concord Emergency Department

FID #: 220167

County: Cabarrus

Applicant: The Charlotte-Mecklenburg Hospital Authority

Project: Develop a satellite emergency department to be licensed under Atrium Health Cabarrus

### REVIEW CRITERIA

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

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

C

The Charlotte-Mecklenburg Hospital Authority (referred to as “Atrium” or “the applicant”) proposes to develop Atrium Health Concord Emergency Department (AH Concord), a satellite emergency department (ED) in Concord, Cabarrus County, which will be licensed as part of Atrium Health Cabarrus (AH Cabarrus) on a new campus. The satellite ED will offer 24-hour emergency care, including necessary diagnostic services, laboratory services, and medication delivery capacity.

## **Need Determination**

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2022 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

## **Policies**

*Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities* (pages 30-31 of the 2022 SMFP) is applicable to this review. *Policy GEN-4* states:

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

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

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

The proposed capital expenditure for this project is greater than \$5 million; therefore, Policy GEN-4 is applicable to this review. In Section B, pages 27-28, the applicant provides a written statement describing its plan to work with a design team and facility management group to assure improved energy efficiency and water conservation. On page 27, the applicant states:

*“[Atrium] is committed to energy efficiency and sustainability that balances the need for healthcare services and environmental sustainability in the communities it serves.”*

## **Conclusion**

The Agency reviewed the:

- Application

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

Based on that review, the Agency concludes that the application is conforming to this criterion because the application is consistent with Policy GEN-4 based on the following:

- The applicant states it will work with experienced architects and engineers to develop this proposed project to ensure energy efficient systems are an inherent part of the project.
- The applicant adequately demonstrates that it provides a written statement describing its plan to assure improved energy efficiency and water conservation.

(2) Repealed effective July 1, 1987.

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

### C

The applicant proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.

Atrium Health currently operates eight satellite emergency departments and has been approved to develop an additional satellite ED, Atrium Health Ballantyne, which is currently under development. In Section C, pages 29-32, the applicant describes the proposed project as a six-bed satellite emergency department, including:

- Six ED rooms, including one trauma/bariatric room and one isolation room
- a three-bay triage area
- two observation/holding beds
- one CT scanner
- one unit of fixed X-ray equipment
- one unit of portable X-ray equipment
- two units of portable ultrasound equipment
- emergency laboratory services
- emergency medication delivery (pharmacy) services

The applicant states that the sole service component for the proposed project is emergency services. All ancillary services, including imaging, laboratory, and medication delivery, will be provided only as part of the emergency visit, and not for non-emergent, scheduled outpatients.

**Patient Origin**

The 2022 SMFP does not define a service area for emergency departments. The applicant defines the proposed service area by identifying all or portions of ZIP codes that are located within a 15-minute drive from the proposed facility. The ZIP codes identified by the applicant as being fully or partially within the proposed service area are 28025, 28027, 28036, 28075, 28078, 28081, 28083, 28206, 28213, 28214, 28215, 28216, 28262, and 28269. (See the Form C Utilization – Assumptions and Methodology subsection of Section Q.) These ZIP codes cover areas in Cabarrus and Mecklenburg counties. Facilities may also serve residents of counties not included in their service area.

The proposed satellite ED is not an existing facility and therefore does not have historical patient origin. Projected patient origin is shown in the table below.

<b>AH Concord Projected Patient Origin</b>						
<b>County</b>	<b>FY 1 – CY 2025</b>		<b>FY 2 – CY 2026</b>		<b>FY 3 – CY 2027</b>	
	<b># Patients</b>	<b>% Patients</b>	<b># Patients</b>	<b>% Patients</b>	<b># Patients</b>	<b>% Patients</b>
Mecklenburg	7,659	69.0%	8,777	69.0%	9,969	69.0%
Cabarrus	3,441	31.0%	3,943	31.0%	4,479	31.0%
<b>Total</b>	<b>11,101</b>	<b>100.0%</b>	<b>12,721</b>	<b>100.0%</b>	<b>14,448</b>	<b>100.0%</b>

Source: Section C, page 35

In Section C, pages 48-50, and in the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project its patient origin. In Section C, page 49, the applicant states:

*“Based on the experience of Atrium Health Steele Creek and subsequent satellite emergency departments, [Atrium] determined that the primary service area for its satellite emergency departments in the greater Charlotte area should be based on the area within a 15-minute drive time from the facility or its 15-minute drive time zone. As such, the primary service area for Atrium Health Concord is assumed to be the area within a 15-minute drive time from the facility .... Since service areas for satellite emergency departments are not defined by the 2021 [sic] SMFP or any regulatory criteria, [Atrium] defines the primary service area as the region from which the majority of its patients will originate.”*

The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant clearly identifies the assumptions and methodology it relied on in projecting patient origin, including in-migration from other areas.
- The applicant provided a thorough explanation of its previous reliance on different assumptions, the data collection which took place subsequent to those projections based on different assumptions, and how it identified the assumptions used in this application would be more accurate than historical assumptions.

## **Analysis of Need**

In Section C, pages 37-51, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- **National ED Trends:** the applicant discusses ED trends, including the impact of COVID-19 and the different use rates of the ED between age groups and different payor sources. (pages 39-40)
- **Population Growth in Cabarrus County:** the applicant provides data from the North Carolina Office of State Budget and Management (NC OSBM) showing Cabarrus County is projected to be in the top five counties for the highest growth rates between 2021 and 2027. The applicant also discusses the growth rate of the population aged 65 and older in Cabarrus County and how it is also projected to be in the top five counties for the highest growth rates between 2021 and 2027. (pages 40-42)
- **Cabarrus County Traffic Congestion:** the applicant discusses the traffic congestion in the greater Charlotte area, the proposed location of AH Concord, and how it is necessary to locate a satellite ED in that area to allow for timely access to emergency services. (pages 42-43)
- **Atrium Satellite ED Services and Utilization:** the applicant states that based on FFY 2017-2019 data, Atrium satellite ED volumes increased at an annual growth rate of 2.8 percent. The applicant also states that satellite ED volumes at the two satellite EDs currently located in Cabarrus County (Atrium Health Kannapolis and Atrium Health Harrisburg) increased at an annual growth rate of 4.8 percent during FFYs 2017-2019. The applicant describes the numerous benefits of satellite EDs and discusses the need for additional ED services based on American College of Emergency Physicians (ACEP) standards. (pages 43-48)
- **Need for Emergency Services in the Service Area, including decompression of Atrium Health University City (AH University City) ED Capacity:** the applicant states that the population growth in the primary service area will support an additional satellite ED and that waiting for projected population growth to materialize before responding would be detrimental to patients. The applicant also states that many patients in its primary service area currently utilize AH University City ED (in Mecklenburg County), which is already operating well over capacity according to ACEP standards, and an additional satellite ED in the primary service area will help to decompress high utilization at AH University City's ED. (pages 48-50)

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

- The applicant uses historical data that is clearly cited, reasonable demographical data, and standards from nationally recognized organizations to make assumptions with regard to

identifying the population to be served, its growth and aging, and the need the identified population has for the proposed services.

- The applicant relies on data from the same proposed model it operates in other locations.
- The applicant provides reasonable information to support the need for additional ED capacity in addition to its existing ED capacity.

Projected Utilization

On Forms C.2b and C.4b in Section Q, the applicant provides projected utilization of the satellite ED and ancillary services during the first three full fiscal years, as shown in the table below.

<b>AH Concord Projected Utilization</b>			
	<b>FY 1 – CY 2025</b>	<b>FY 2 – CY 2026</b>	<b>FY 3 – CY 2027</b>
<b>Emergency Department</b>			
# of Treatment Rooms	6	6	6
# of Visits	11,101	12,721	14,448
<b>Observation Beds (unlicensed)</b>			
# of Beds	2	2	2
Days of Care	51	59	67
<b>Laboratory</b>			
Tests	16,113	18,465	20,972
<b>CT Scans</b>			
# of Units	1	1	1
# of Scans	2,152	2,466	2,801
# of HECT Units	3,440	3,943	4,478
<b>X-Ray (1 fixed, 1 portable)</b>			
# of Units	2	2	2
# of Procedures	4,376	5,015	5,696
<b>Ultrasound</b>			
# of Units	2	2	2
# of Procedures	1,245	1,427	1,621

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

- Determine the number of people in the proposed primary service area: the applicant first utilized Esri data to determine the number of people living within the 15-minute drive zone of the proposed AH Concord and calculated the projected growth rate between 2021 and 2027.
- Calculate use rates for outpatient ED visits for the 15-minute drive time population: the applicant utilized its own internal data, Esri, and Truven to determine a weighted average use rate for outpatient ED visits. The applicant weighted the outpatient ED visit average by using the percentage of the 15-minute drive time population that lives in a particular

ZIP code. The applicant states utilizing outpatient ED visits as a means of projecting satellite ED visits is reasonable because its own internal data shows that among the six satellite EDs that were operational during CY 2019, an average of only 2.8 percent of patients who visited a satellite ED needed to be admitted to a hospital.

The applicant also analyzed whether its use rate was likely to grow in future years using the same assumptions and methodology to look at a 15-minute drive time area for Atrium Health Steele Creek (AH Steele Creek). The applicant states ED use in the affected 15-minute drive time area for AH Steele Creek increased by 23 percent in the first year while overall Mecklenburg County ED visits declined slightly during the first year. The applicant states that data shows ED utilization in the 15-minute drive time area for AH Steele Creek was significantly below the Mecklenburg County ED average use rate prior to the opening of AH Steele Creek which suggests access was a contributing factor to the change. The applicant states that there is not the same lack of access currently in Cabarrus County and assumes that its projected use rate will remain constant through the third full fiscal year.

- Determine projected outpatient ED visits for the proposed service area: the applicant applied the weighted projected use rate for the 15-minute drive time area to the projected population for CYs 2024-2027.
- Adjust projected outpatient ED visits for other facilities: the applicant states that Atrium Health Mountain Island ED (which recently opened) and Atrium Health Lake Norman (a hospital under development) are immediately adjacent to the AH Concord primary service area and reduced the number of projected outpatient ED visits by the number of projected outpatient ED visits for patients in the primary service area that were projected to be provided by the approved but not yet developed EDs.
- Calculate and apply assumed market share to determine projected ED visits: the applicant calculated the projected market share of ED visits for AH Concord by determining the historical average market share for its six satellite EDs that were operational in CY 2019. The applicant then assumed the lowest historical projected market share for any of the satellite EDs would be used to project utilization at AH Concord. The applicant then applied the projected market share to the projected ED visits for the primary service area.
- Calculate and apply assumed in-migration: the applicant calculated the historical in-migration rate for each of its six satellite EDs that were operational in CY 2019 and calculated an overall average historical in-migration rate. The applicant then assumed the lowest historical in-migration rate for any of the satellite EDs would be used to project utilization at AH Concord. The applicant then applied the projected in-migration rate to the projected ED visits for the primary service area.
- Ramp-up Period: the applicant assumes that from the date it projects to offer services (October 1, 2024) through all of CY 2025, the ED will reach 80 percent of potential utilization; in CY 2026, the ED will reach 90 percent of potential utilization; and in CY 2027, the ED will reach 100 percent of potential utilization.

- Calculate utilization for ancillary services: the applicant will provide diagnostic imaging and laboratory services to its ED patients. The applicant determined the CY 2019 historical ratio of ED visits to use of ancillary services for Atrium Health Kannapolis and Atrium Health Harrisburg (AH Harrisburg). The applicant states that since AH Harrisburg provides some diagnostic imaging and laboratory services to non-emergent patients, it excluded any historical utilization that was not tied to ED visits for AH Harrisburg. The applicant also states it excluded any patients who were later admitted to a hospital. The applicant combined the historical use ratios from each facility to determine a combined historical use ratio for each ancillary service and applied the combined historical use ratio to projected ED visits.

A summary of the assumptions and methodology used to project ED visits and use of ancillary services is shown in the table below.

<b>AH Concord Projected Utilization – ED Visits &amp; Ancillary Services – FYs 1-3 (CYs 2025-2027)</b>				
	<b>CY 2024</b>	<b>FY 1 – CY 2025</b>	<b>FY 2 – CY 2026</b>	<b>FY 3 – CY 2027</b>
15-Minute Drive Time Population	359,196	367,103	375,184	383,443
Outpatient ED Visits (373.4 per 1,000 pop.)	134,124	137,077	140,094	143,178
ED Visits for AH Lake Norman/AH Mtn Island	-6,100	-6,701	-7,290	-7,425
Adjusted Service Area ED Visits	128,024	130,376	132,804	135,752
Service Area ED Visits based on Market Share (9.6%)	12,290	12,516	12,749	13,032
Total Potential ED Visits incl. In-migration (9.8%)	13,626	13,876	14,134	14,448
Ramp-up Period Utilization*	2,725	11,101	12,721	14,448
<b>Ancillary Services</b>				
CT Scans (0.19 ratio)	528	2,152	2,466	2,801
HECT Units (0.31 ratio)	845	3,440	3,943	4,478
X-Ray (0.39 ratio)	1,074	4,376	5,015	5,696
Ultrasound (0.11 ratio)	306	1,245	1,427	1,621
Observation Encounters (0.022 ratio)	60	245	281	319
Observation Days (0.005 ratio)	13	51	59	67
Laboratory (1.45 ratio)	3,956	16,113	18,465	20,972

\*Beginning with the Ramp-up Period Utilization, data for CY 2024 reflects the three months between October 1, 2024 (when the project is projected to offer services) through December 31, 2024.

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

- The applicant utilizes reliable data on projected population and reasonable assumptions for the determination of service area use rate for ED visits.
- The applicant utilizes reasonable assumptions for market share and in-migration for ED visits based on its historical experience.
- The applicant projects utilization of ancillary services on its own historical experience at existing satellite EDs within Cabarrus County.



### **Access to Medically Underserved Groups**

In Section C, pages 57-58, the applicant states that AH Cabarrus provides services to all persons in need of medical care. On page 57, the applicant states:

*“Atrium Health Cabarrus provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment. .... [Atrium] will continue to serve this population as dictated by the mission of [Atrium], which is the foundation for every action taken. The mission is simple, but unique: To improve health, elevate hope, and advance healing –for all. This includes the medically underserved.”*

On page 58, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

<b>Medically Underserved Groups</b>	<b>% of Total Patients CY 2027</b>
Racial and ethnic minorities	20.55%
Women	62.35%
Persons 65 and older	34.77%
Medicare beneficiaries	41.91%
Medicaid recipients	14.23%

On page 58, the applicant states that the facility does not maintain data that includes the number of low income or disabled persons it serves, but that neither low income people nor disabled people are denied services.

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

- The proposed satellite ED will be licensed as part of AH Cabarrus.
- The applicant bases its projected service to underserved groups based on its historical service to underserved groups.

### **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 all the reasons described above.

- (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, ... persons [with disabilities], 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 proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.

In Section E, pages 68-69, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

1. Maintain the Status Quo – the applicant states that maintaining the status quo would lead to patients facing delays in receiving emergency care; therefore, this was not an effective alternative.
2. Add to Existing Capacity at AH Cabarrus – the applicant states that, while AH Cabarrus ED is highly utilized, adding capacity at AH Cabarrus would not serve the growing Concord area with more convenient emergency services closer to home, and would not allow for the decompression of emergency department volume at hospitals like AH Cabarrus and AH University City; therefore, this was not an effective alternative.
3. Develop a Satellite ED at a Different Location – the applicant states it strategically locates its satellite EDs in areas of high population and development growth. The applicant states locating a satellite ED in a different area would leave patients in the proposed service area without immediate access to ED services and facing increasing travel times to other ED services as population and development continue to grow; therefore, this was not an effective alternative.

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

- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.

- The application is conforming to all statutory review criteria. Therefore, the application can be approved.

### **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. Therefore, the application is approved subject to the following conditions:

- 1. The Charlotte-Mecklenburg Hospital Authority (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application and any supplemental responses. If representations conflict, the certificate holder shall materially comply with the last made representation.**
- 2. The certificate holder shall develop Atrium Health Concord, a satellite emergency department to be licensed under Atrium Health Cabarrus, including 24/7 emergency services, a CT scanner, ultrasound equipment, x-ray equipment, laboratory services, and pharmacy services.**
- 3. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 4. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
- 5. Progress Reports:**
  - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
  - b. The certificate holder shall complete all sections of the Progress Report form.**



<b>Cost Category</b>	<b>Projected Capital Cost</b>
Land Purchase/Associated Costs	\$2,556,000
Site Prep/Landscaping	\$1,119,000
Construction Contract	\$8,851,000
Architect/Engineering Fees	\$763,000
Medical Equipment	\$3,215,000
Non-Medical Equipment/Furniture	\$635,000
Consultant Fees	\$450,000
Financing/Interest Costs	\$834,118
Other (IS, Security, Internal)	\$3,907,000
<b>Total Capital Cost</b>	<b>\$22,330,118</b>

The assumptions used by the applicant to project the capital cost are provided immediately following Form F.1a in Section Q. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Site prep, construction costs, landscaping and architect and engineering costs are based on the experience of the project architect with similar projects.
- Medical equipment costs are based on vendor estimates and Atrium experience with similar projects.
- Non-medical equipment and furniture costs are based on vendor estimates and Atrium experience with similar projects.
- Financing costs and interest during construction are based on Atrium experience.
- Other includes IS, security, and internal allocations and are based on Atrium experience with similar projects.

In Section F, pages 72-73, the applicant states there will be no start-up costs or initial operating expenses because AH Cabarrus is an existing and operational facility and any costs associated with the development and initial operation of the proposed project are considered ongoing operational costs for AH Cabarrus.

**Availability of Funds**

In Section F, pages 70-72, the applicant states the entire projected capital expenditure of \$22,330,118 will be funded with Atrium’s accumulated reserves.

In Exhibit F.2-1, the applicant provides a letter dated February 15, 2022, from the Executive Vice President and Chief Financial Officer for Atrium, stating that Atrium has sufficient accumulated reserves to fund the projected capital cost and committing to providing that funding to develop the proposed project.

Exhibit F.2-2 contains a copy of Atrium’s Basic Financial Statements and Other Financial Information for the year ending December 31, 2020. According to the Basic Financial Statements, as of December 31, 2020, Atrium had adequate cash and assets to fund all the capital needs of the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the following:

- The applicant provides a letter from the appropriate Atrium official confirming the availability of the funding proposed for the capital needs of the project and the commitment to use those funds to develop the proposed project.
- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital needs of the project.

**Financial Feasibility**

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

<b>AH Concord Projected Revenue and Operating Costs</b>			
	<b>FY 1 – CY 2025</b>	<b>FY 2 – CY 2026</b>	<b>FY 3 – CY 2027</b>
Total ED Visits	11,101	12,721	14,448
Total Gross Revenue (Charges)	\$31,655,675	\$37,364,294	\$43,710,665
Total Net Revenue	\$7,250,146	\$8,557,599	\$10,011,118
Average Net Revenue per Visit	\$653	\$673	\$693
Total Operating Expenses	\$5,784,863	\$6,050,270	\$6,269,013
Average Operating Expense per Visit	\$521	\$476	\$434
<b>Net Income/(Loss)</b>	<b>\$1,465,282</b>	<b>\$2,507,329</b>	<b>\$3,742,105</b>

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Forms F.2 and F.3 in Section Q.

The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of data used to project revenues and expenses.
- The applicant based its projections on its own historical experience.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

### C

The applicant proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.

The 2022 SMFP does not define a service area for emergency departments. The applicant defines the proposed service area by identifying all or portions of ZIP codes that are located within a 15-minute drive from the proposed facility. The ZIP codes identified by the applicant as being fully or partially within the proposed service area are 28025, 28027, 28036, 28075, 28078, 28081, 28083, 28206, 28213, 28214, 28215, 28216, 28262, and 28269. (See the Form C Utilization – Assumptions and Methodology subsection of Section Q.) These ZIP codes cover areas in Cabarrus and Mecklenburg counties. Facilities may also serve residents of counties not included in their service area.

In Section G, pages 80-81, the applicant identifies eight other existing or approved providers of ED services within or immediately adjacent to its proposed service area:

- Atrium Health University City (hospital-based ED)
- Atrium Health Cabarrus (hospital-based ED)
- Atrium Health Harrisburg (satellite ED licensed under AH Cabarrus)
- Atrium Health Huntersville (hospital-based ED)
- Atrium Health Mountain Island (satellite ED licensed under AH University City)

- Atrium Health Lake Norman (approved but not yet developed hospital-based ED)
- Novant Health Huntersville Medical Center (hospital-based ED)
- Novant Health Mountain Island Lake (approved but not yet developed satellite ED licensed under Novant Health Huntersville Medical Center)

In Section G, page 81, the applicant explains why it believes the proposal would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in the proposed service area. On page 81, the applicant states:

*“... Cabarrus County, in general, and the proposed Concord service area, specifically, need additional capacity for emergency services. Based on the 2020 inventory of emergency department rooms and FFY 2019 volumes, this geography could support 15 additional emergency department rooms using the mean of the ACEP recommended range. [Atrium] in total demonstrates a need for 31 additional emergency exam rooms.... With Atrium Health Concord, [Atrium] is proposing to serve only a fraction of the unmet need demonstrated in this geography.”*

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

- The applicant adequately demonstrates that current ED utilization is high enough to support additional ED services in the proposed service area.
- The applicant adequately demonstrates that the proposed satellite ED is needed in addition to the existing and approved ED services in the proposed service area.

### **Conclusion**

The Agency reviewed the:

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

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

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

C

The applicant proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.



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

<b>AH Concord Projected Staffing</b>			
	<b>CY 2025</b>	<b>CY 2026</b>	<b>CY 2027</b>
Registered Nurses	8.4	9.0	9.0
Director of Nursing	1.0	1.0	1.0
Laboratory Technicians	4.2	4.2	4.2
Radiology Technologists	9.8	9.8	9.8
Respiratory Therapy Technicians	4.2	4.2	4.2
Environmental Services	4.2	4.2	4.2
Materials Management	0.6	0.6	0.6
Maintenance/Engineering	0.5	0.5	0.5
Patient Access	7.9	7.9	7.9
Security	4.2	4.2	4.2
Healthcare Technicians	2.1	2.1	2.1
<b>Total</b>	<b>47.1</b>	<b>47.7</b>	<b>47.7</b>

The assumptions and methodology used to project staffing are provided on Form H Assumptions immediately following Form H in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b, which is found in Section Q. In Section H, pages 83-84, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.
- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3b in Section Q.
- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

### **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

The applicant proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.

#### **Ancillary and Support Services**

In Section I, page 85, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 85-86, the applicant explains how each ancillary and support service is made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant will provide the necessary ancillary and support services to the proposed satellite ED that will operate under the AH Cabarrus license.
- In Exhibit I.1, the applicant provides a letter from the Vice President and Facility Executive of AH Cabarrus, attesting to the existence of the necessary ancillary and support services and committing to providing the necessary ancillary and support services for the proposed project.

#### **Coordination**

In Section I, page 86, the applicant describes AH Cabarrus' existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit 1.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is an existing provider in Cabarrus County that is currently offering the same services it proposes to develop.
- The applicant provides letters of support from local physicians and healthcare providers documenting their support for Atrium.

#### **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 all the reasons described above.

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

NA

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

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

NA

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

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

## C

The applicant proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.

In Section K, page 89, the applicant states that the project involves constructing a new 13,500 square foot building near the intersection of Cox Mill Road and Christenbury Parkway in Concord. Line drawings are provided in Exhibit C.1-1.

On pages 89-90, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The overall layout of the satellite ED is based on a configuration that provides the most efficient circulation and throughput for patients and caregivers.
- Sizes of spaces are based on best practice methodologies, as well as relationships and adjacencies to support functions.
- The exterior envelope will be a mixture of materials that provide energy efficiency, low maintenance, and aesthetics complementary of the surrounding buildings.
- Costs were derived from recent historical cost information using 3D cost modeling tools.

On page 90, 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 based on the following:

- The applicant states it believes the proposed construction costs are necessary to providing access to essential emergency services for patients at a satellite ED.
- Atrium has set aside excess revenues to pay for the proposed project without necessitating an increase in costs or charges to pay for the project.

In Section B, pages 27-28, 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 for all the reasons described above.

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

AH Concord is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

(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 ... persons [with disabilities] to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, pages 95-96, the applicant states AH Cabarrus has no such obligation.

In Section L, page 96, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against AH Cabarrus.

**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 96, 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>AH Concord Projected Payor Mix – CY 2027</b>	
<b>Payor Category</b>	<b>% of Patients</b>
Self-Pay	21.5%
Medicare*	17.6%
Medicaid*	22.1%
Insurance*	36.0%
Other**	2.8%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

\*\*Includes other government payors, Worker's Compensation, and other payors.

**Source:** Atrium Health internal data

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 21.5 percent of services will be provided to self-pay patients, 17.6 percent of services to Medicare patients, and 22.1 percent of services to Medicaid patients.

In Section L, page 96, the applicant states that Atrium's internal data does not track charity care as a payor source, that patients in any payor category can receive charity care, and that charity care projections are provided on Form F.2b. In the assumptions immediately following Forms F.2 and F.3, however, the applicant states its projected charity care amount is the difference between the gross revenue and net revenue for self-pay patients.

In supplemental information requested by the Agency, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected patient payor mix is based on the historical patient payor mix for outpatient ED visits from the ZIP codes used by the applicant to define its service area.
- The applicant provides reasonable explanations for why it chose to project a payor mix identical to its historical payor mix.

**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.

- (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 98, the applicant describes the range of means by which a person will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.

In Section M, page 100, 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. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area which already have access to AH Cabarrus and which will have access to AH Concord.
- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

## 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 all the reasons described above.

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

## C

The applicant proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.

The 2022 SMFP does not define a service area for emergency departments. The applicant defines the proposed service area by identifying all or portions of ZIP codes that are located within a 15-minute drive from the proposed facility. The ZIP codes identified by the applicant as being fully or partially within the proposed service area are 28025, 28027, 28036, 28075, 28078, 28081, 28083, 28206, 28213, 28214, 28215, 28216, 28262, and 28269. (See the Form C Utilization – Assumptions and Methodology subsection of Section Q.) These ZIP codes cover areas in Cabarrus and Mecklenburg counties. Facilities may also serve residents of counties not included in their service area.

In Section G, pages 80-81, the applicant identifies eight other existing or approved providers of ED services within or immediately adjacent to its proposed service area:

- Atrium Health University City (hospital-based ED)
- Atrium Health Cabarrus (hospital-based ED)
- Atrium Health Harrisburg (satellite ED licensed under AH Cabarrus)
- Atrium Health Huntersville (hospital-based ED)
- Atrium Health Mountain Island (satellite ED licensed under AH University City)



- Atrium Health Lake Norman (approved but not yet developed hospital-based ED)
- Novant Health Huntersville Medical Center (hospital-based ED)
- Novant Health Mountain Island Lake (approved but not yet developed satellite ED licensed under Novant Health Huntersville Medical Center)

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

*“The proposed project will enhance competition in the service area by promoting cost effectiveness, quality, and access to emergency services.”*

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

*“The proposed application is indicative of [Atrium]’s commitment to containing healthcare costs and maximizing healthcare benefit per dollar expended, while also ensuring that it develops the services and capacity to meet the needs of the population it serves. ... The proposed project will allow for the provision of a highly utilized service to be developed in a convenient location for the volume of patients that need emergency services without the costs associated with a larger inpatient facility.”*

See also Sections C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 102-103, the applicant states:

*“[Atrium] believes that the proposed project will promote safety and quality in the delivery of healthcare services. [Atrium] is known for providing high quality services and expects the proposed project to expand its emergency services capacity while bolstering its high quality reputation.*

...

*The proposed project will serve to improve the quality of emergency services provided in Cabarrus County. ... Further, the proposed project will increase access to quality emergency services in the growing Concord service area.”*

See also Sections C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 103-104, the applicant states:

*“The proposed project will improve access to its services in the service area, including access by those who are medically underserved. [Atrium] has long-promoted economic access to its services as it historically has provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin,*

*[disability], or ability to pay... By increasing access for [Atrium]'s emergency services patients, the proposed project will foster competition for emergency services in Cabarrus County and propel other providers to maximize the level of access to their services, regardless of the patient's payor source."*

See also Sections C and L of the application and any exhibits.

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, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrates: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described 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

The applicant proposes to develop AH Concord, a satellite ED in Concord licensed as part of AH Cabarrus, which will offer 24-hour emergency care, diagnostic services, laboratory services, and medication delivery capacity.

On Form O in Section Q, the applicant identifies the hospitals and satellite EDs located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 32 hospitals or satellite EDs located in North Carolina.

In Section O, page 107, the applicant states that, during the 18 months immediately preceding the submittal of the application, there was one incident resulting in an Immediate Jeopardy finding at Atrium Health Cleveland. The applicant states the facility is back in compliance and provides supporting documentation in Exhibit O.4. The applicant states that no other facilities had immediate jeopardy findings during the 18 months immediately preceding the submittal of the application. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were no incidents related to quality of care that occurred in any of its facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 32 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

The applicant proposes to develop a satellite ED. There are no administrative rules that are applicable to proposals to develop a satellite ED or any of the service components proposed as part of the satellite ED.