

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: June 30, 2023

Findings Date: June 30, 2023

Project Analyst: Gregory F. Yakaboski

Co-Signer: Lisa Pittman

Project ID #: O-12317-23

Facility: Novant Health New Hanover Regional Medical Center

FID #: 943372

County: New Hanover

Applicants: Novant Health New Hanover Regional Medical Center, LLC
Novant Health, Inc.

Project: Develop no more than 25 acute care beds pursuant to the need determination in the 2023 SMFP for a total of no more than 774 acute care beds, including NICU beds, at all campuses of Novant Health New Hanover Regional Medical Center upon completion of this project, Project ID# O-11947-20 (develop a new satellite hospital campus including 36 new acute care beds) and Project ID# O-12081-21 (develop 35 new acute care beds).

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

Novant Health New Hanover Regional Medical Center, LLC and Novant Health, Inc., hereinafter referred to as “the applicant” propose to add no more than 25 acute care (AC) beds to the main campus of Novant Health New Hanover Regional Medical Center (NH Main Campus or NHRMC or 17th Street Main Campus) pursuant to the need determination in the 2023 SMFP for a total of no more than 774 AC beds at all campuses of Novant Health New Hanover Regional Medical Center (NHNHRMC), including 22 neonatal intensive care unit (NICU) beds, upon completion of this project, Project ID# O-11947-20 (develop a new satellite

hospital campus including 36 new AC beds pursuant to the 2020 Need Determination) and Project ID# O-12081-21 (develop 35 new AC beds pursuant to the 2021 SMFP Need Determination).

At the time of the filing of this application NHNHRMC has two existing campuses operating on the same hospital license [NH Main Campus and NHNHRMC Orthopedic Hospital (NH Orthopedic)] with a total of 678 existing licensed AC beds.

NH Main Campus has 648 existing licensed AC beds. NH Orthopedic has 30 existing licensed AC beds. NHNHRMC also has two approved, but undeveloped, projects involving 71 new acute care beds: Project ID# O-11947-20 (36 new AC beds) and Project ID# O-12081-21 (35 new AC beds). NHNHRMC's existing and approved AC beds total 749 AC beds (648 existing AC beds + 71 approved but undeveloped AC beds = 749 AC beds). The two approved, but undeveloped projects are described as follows:

Project ID# O-11947-20: NHNHRMC was approved to develop a new hospital campus, Novant Health Scotts Hill Medical Center (Scotts Hill), with 66 acute care beds. The source of the 66 acute care beds was 36 AC beds pursuant to a need determination for 36 AC beds in the 2020 SMFP and 30 AC beds which would transfer from NH Orthopedic. Upon development of Scotts Hill, NH Orthopedic would close at which point NHNHRMC would still have two hospital campuses: NH Main Campus and Scotts Hill.

Project ID #O-12081-21: NHNHRMC was approved to develop 35 AC beds at NH Main Campus pursuant to a need determination for 35 AC beds in the 2021 SMFP for a total of 683 AC beds at NH Main Campus (648 + 35 = 683).

However, for information purposes, NHNHRMC states in this application that it plans instead to develop 12 of the 35 AC beds approved in Project ID #O-12081-21 at the Scotts Hill campus and not at the NH Main Campus. (The applicant states it plans on seeking the appropriate approvals for this change in scope in the future.) The remaining 23 AC beds would be developed at NH Main Campus for CY2023.

This change, if approved in the future, would result in 671 AC beds at NH Main Campus (683-12 = 671).

This change, if approved in the future, would result in 78 AC beds at Scotts Hill (66 + 12 = 78).

[The project analyst notes, to be clear, the future plan of NHNHRMC to change the scope of the approved Project ID# O-12081-21 to develop 12 of the approved 35 AC beds at Scotts Hill is not part of this application.]

For a total of 749 AC beds at all campuses of NHNHRMC (671 + 78 = 749).

If the 25 AC beds proposed in this application are approved NHNHRMC would have a total of 774 AC beds (including NICU beds) [696 AC beds at NH Main Campus (671 +25 = 696) + 78 AC beds at Scotts Hill = 774 AC beds].

The plan for the existing, approved, and proposed AC beds is summarized in the table below:

Licensed Beds at NHHHRMC

						YR1	YR2	YR3
	2022	2023	2024	2025	2026	2027	2028	2029
NH Main Campus	648	671*	671	671	696**	696	696	696
NH Orthopedic	30	30	30	30	Closes	Closed	Closed	Closed
Scotts Hill		na	na	na	78***	78	78	78
Total	678	701	701	701	774	774	774	774

Note: Years are Calendar Years (CY).

*23 of the 35 AC beds approved per Project ID#12081-21 would be developed.

**The 25 AC beds proposed in this application would be developed.

***The 66 AC beds plus 12 of the 35 AC beds approved per Project ID#12081-21 would be developed.

Need Determination

Chapter 5 of the 2023 SMFP includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Table 5B on page 44 of the 2023 SMFP includes an acute care bed need determination for 25 additional acute care beds in the New Hanover County service area. The 2023 SMFP, on pages 34-35, states:

“A person who proposes to operate the additional acute care beds in a hospital must show that the hospital will provide:

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients, and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories (MDC) recognized by the Centers for Medicare & Medicaid services listed below: ...” [as listed on pages 34-45 of the 2023 SMFP]*

NHHHRMC is an existing acute care hospital that meets all of these qualifications. See also Section B, page 26, and Exhibits A-1.1 and B-1. Therefore, based on the information provided by the applicant, the applicant is qualified to apply for a certificate of need to develop the acute care beds.

The applicant does not propose to develop more new acute care beds than are determined to be needed in the 2023 SMFP for the New Hanover County service area. Therefore, the application is consistent with the need determination.

Policies

There are two policies in the 2023 SMFP applicable to this review: Policy GEN-3: *Basic Principles*, and Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*.

Policy GEN-3: Basic Principles, on page 30 of the 2023 SMFP, states:

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

In Section B, pages 28-32, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*, on page 30 of the 2023 SMFP, states:

“Any person proposing a capital expenditure greater than \$4 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 of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 32-34, the applicant provides a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

Conclusion

The Agency reviewed the:

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in New Hanover County; and
 - The applicant adequately documents how the project will promote equitable access to acute care bed services in New Hanover County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
- The applicant adequately demonstrates the proposal is consistent with Policy GEN-4 based on its representations that the project includes a plan for 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 no more than 25 acute care beds at NHHNHRMC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

Patient Origin

On page 31, the 2023 SMFP defines the service area for acute care hospital beds as "...*the single or multicounty grouping shown in Figure 5.1.*" Figure 5.1, on page 36, shows New Hanover County as its own acute care bed service area. NHHNHRMC is in New Hanover County. Thus, the service area for this application is New Hanover County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates historical and projected patient origin for acute inpatient services at NH Main Campus (excluding NICU).

County	Historical (Last Full CY2022)		Third Full FY of Operation following Project Completion (CY2029)	
	Patients	% of Total	Patients	% of Total
New Hanover	14,185	46.30%	16,656	46.34%
Brunswick	5,449	17.80%	6,398	17.80%
Pender	3,832	12.50%	4,500	12.52%
Onslow	2,657	8.70%	3,120	8.68%
Columbus	1,213	4.00%	1,424	3.96%
Duplin	938	3.10%	1,101	3.06%
Bladen	363	1.20%	426	1.19%
Other*	1,977	6.50%	2,321	6.46%
Total	30,614	100.00%	35,947	100.00%

Source: Tables on pages 38 and 40 of the application.

*Counties and other states included in the “Other” category are shown in the tables on pages 38 and 40 of the application.

In Section C.3, page 39, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported based on historical patient origin for the same acute care bed services at NH Main Campus.

Analysis of Need

In Section C.4, pages 42-52, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- Population Growth (See pages 43-44)
- Increase Patient Days (See pages 44-46)
- Meeting the demands of the region’s residents as the only tertiary provider in the service area (See pages 46-49)
- Improving emergency department efficiencies (See pages 49-50)
- Flexibility to meet the needs of pediatric patients (See pages 50-51)
- Recruitment of Physicians and Advanced Practice Providers (See pages 51-52)

The information is reasonable and adequately supported based on the application, exhibits to the application, the public hearing, and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- The applicant’s historical growth in utilization created the current need determination for 25 additional acute care beds in the 2023 SMFP for the New Hanover County Acute Care Bed Service Area.

- The applicant uses clearly cited and reasonable historical and demographic data to identify the population to be served, its projected growth, and the need the identified population has for the proposed services.
- Letters from physicians who have expressed support for the proposed project. See Exhibit C-4.1.

Projected Utilization

In Section Q, Form C, the applicant provides historical, interim, and projected utilization for NH Main Campus only and projected utilization for the existing, approved and projected acute care beds in all campuses of NHHNHRMC for the first three project years, as illustrated in the following tables.

The project analyst notes that NICU beds are excluded from the need methodology for acute care beds in the 2023 SMFP. Therefore, NICU beds and NICU patient days are not part of the projected utilization or compliance with the performance rules in 10A NCAC 14C .3803. The assumptions and methodology summarized below do not include either NICU beds or NICU patient days.

NHHNHRMC has 45 NICU beds at NH Main Campus.

The following table shows total existing and projected licensed acute care beds at all NHHNHRMC campuses less the 45 NICU beds located at NH Main Campus.

Licensed Beds at NHHNHRMC

						YR1	YR2	YR3
	2022	2023	2024	2025	2026	2027	2028	2029
NH Main Campus	648	671*	671	671	696**	696	696	696
NICU Beds	-45	-45	-45	-45	-45	-45	-45	-45
NH Main Campus	603	626	626	626	651	651	651	651
NH Orthopedic	30	30	30	30	Closes	Closed	Closed	Closed
Scotts Hill		na	na	na	78***	78	78	78
Total with NICU Beds	678	701	701	701	774	774	774	774
Total without NICU Beds	633	656	656	656	729	729	729	729

Note: Years are Calendar Years (CY).

*23 of the 35 AC beds approved per Project ID#12081-21 would be developed.

**The 25 AC beds proposed in this application would be developed.

***The 66 AC beds plus 12 of the 35 AC beds approved per Project ID#12081-21 would be developed subject to approval.

NHNHRMC: Main Campus (Only)

NHNHRMC-Main Campus (only): Historical and Interim

	Last FFY	Interim FFY	Interim FFY	Interim FFY	Interim Partial FFY
	CY2022	CY2023	CY2024	CY2025	1/1/2026 – 9/30/2026
# of Beds	603	626	626	626	626
# Admissions	30,614	35,689	36,720	37,635	28,507
# of Patient Days	178,035	201,481	207,304	212,469	160,934
ALOS	5.82	5.65	5.65	5.65	5.65
ADC	488	552	568	582	na
Occupancy Rate	80.9%	88.2%	90.5%	93.0%	94.2%

Source: Section Q, Form C.1a.

ALOS = Average Length of Stay

ADC = Patient Days/365.

Occupancy Rate = ADC/# of Beds.

NHNHRMC-Main Campus (only): Projected First Three Years

	Partial FFY	OY1	OY2	OY3
	10/1/2026 – 12/31/2026	1 st Full FY	2 nd Full FY	3 rd Full FY
		CY2027	CY2028	CY2029
# of Beds	651	651	651	651
# Admissions	8,724	35,011	35,476	35,947
# of Patient Days	49,250	197,655	200,280	202,941
ALOS	5.65	5.65	5.65	5.65
ADC	na	542	549	556
Occupancy Rate	82.2%	83.2%	84.1%	85.4%

Source: Section Q, Form C.1b.

ALOS = Average Length of Stay

ADC = Patient Days/365.

Occupancy Rate = ADC/# of Beds.

NHNHRMC: All Campuses

NHNHRMC-All Campuses: Historical and Interim

	Last FFY	Interim FFY	Interim FFY	Interim FFY	Interim Partial FFY
	CY2022	CY2023	CY2024	CY2025	1/1/2026 – 9/30/2026
# of Beds	633	656	656	656	656
# Admissions	31,819	37,099	38,073	38,932	29,449
# of Patient Days	181,812	205,604	211,258	216,261	163,690
ALOS**	5.71	5.54	5.55	5.55	5.56
ADC	498	563	579	592	600
Occupancy Rate	78.7%	85.9%	88.0%	90.3%	91.4%

Source: Section Q, Form C.1a.

ALOS = Average Length of Stay

ADC = Patient Days/365.

Occupancy Rate = ADC/# of Beds.

NHNHRMC- All Campuses: Projected First Three Years

	Partial FFY	OY1 1 st Full FY	OY2 2 nd Full FY	OY3 3 rd Full FY
	10/1/2026 – 12/31/2026	CY2027	CY2028	CY2029
# of Beds	729	729	729	729
# Admissions	9,829	39,446	39,970	40,501
# of Patient Days	55,288	221,887	224,835	227,822
ALOS	5.63	5.63	5.63	5.63
ADC	601	608	616	624
Occupancy Rate	82.4%	83.4%	84.3%	85.6%

Source: Section Q, Form C.1b.

ALOS = Average Length of Stay

ADC = Patient Days/365.

Occupancy Rate = ADC/# of Beds.

In Section Q, Form C.1a and Form C.1b Assumptions and Methodology, pages 118-135, and Exhibit C-2, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: Project Baseline Acute Care Bed Days at NHNHRMC’s Existing Campuses for the Interim Periods (See pages 121-125 of the application).

NHNHRMC: Historic Patient Days (Excluding NICU)

	2017	2018	2019	2020	2021	2022	% Increase 2017- 2021	2017- 2021 CAGR
NH Main Campus	156,373	161,486	166,035	160,198	188,956	182,917	20.8%	4.8%
NHNHRMC	163,197	166,961	172,840	166,103	193,484	186,963	18.6%	4.3%

The applicant notes the dip in patient days in 2022 and states “NH ... and believes the dip in acute care days of care in FY2022 was an anomaly, due to temporary bed closures that are now resolved.”

NHNHRMC: Interim Patient Days (Excluding NICU)

FFY	2023	2024	2025	2026
NH Main Campus	200,036	205,817	211,765	214,579
NH Orthopedic	4,165	3,995	3,831	3,675
NHNHRMC	204,201	209,812	215,597	218,253

Source: Table on page 122 of the application.

Step 2: Project Baseline Acute Care Bed Days at NHNHRMC’s Existing Campuses for the Project Years (See pages 125-126 of the application).

Step 3: Patient Days: Allocate Volume Shifting to Scotts Hill and Effects of Orthopedic Hospital Closure (See pages 126-129 of the application).

NHNHRMC: Projected Patient Days (Excluding NICU)

	2027	2028	2029	2030
NH Main Campus	197,000	199,617	202,269	204,957
Scotts Hill	24,153	24,474	24,799	25,128
Total	221,153	224,091	227,068	230,085

Source: Table on page 129 of the application.

The applicant states, *“In projecting future volume, NH conservatively assumes all volume at NH Scotts Hill will be a shift of existing NH patients from other campuses on the NHNHRMC license. Had NH assumed an increase in market share due to the opening of NH Scotts Hill, the future occupancy projected for Scotts Hill and the NHNHRMC license would be higher.”*

Step 4: Patient Days: Convert Fiscal Years to Calendar Years (See pages 129-130 of the application).

Step 5: Calculate Occupancy at NHNHRMC (See pages 131-132 of the application).

Licensed Beds Excluding NICU at NHNHRMC

Beds				Interim Partial Year	Partial Project Year	YR1	YR2	YR3
	2023	2024	2025	2026	2026	2027	2028	2029
NH Main Campus	626	626	626	626	651	651	651	651
NH Orthopedic	30	30	30	30	Closed	Closed	Closed	Closed
Scotts Hill	na	na	na	na	78	78	78	78
Total	656	656	656	656	729	729	729	729

Note: NHNHRMC has 45 NICU beds per the 2022 LRA. Total acute care beds, existing and approved, in YR3 is 774 (729 + 45 NICU = 774).

Projected Occupancy for Licensed Beds Excluding NICU at NHNHRMC

				Interim Partial Year	Partial Project Year	YR1	YR2	YR3
	2023	2024	2025	2026	2026	2027	2028	2029
NH Main Campus	88.2%	90.5%	93.0%	94.2%	82.2%	83.2%	84.1%	85.4%
NH Orthopedic	37.6%	36.0%	34.6%	33.7%	Na	Na	Na	Na
Scotts Hill	Na	Na	Na	Na	84.1%	85.1%	86.0%	87.4%
Total	85.9%	88.0%	90.3%	91.4%	82.4%	83.4%	84.3%	85.6%

Note: NHNHRMC has 45 NICU beds per the 2022 LRA. Total acute care beds, existing and approved, in YR3 is 774 (729 + 45 NICU = 774).

Step 6: Project Acute Care Discharges at Each Facility (See pages 133-135 of the application).

Projected Discharges Excluding NICU at NHHHRMC

				Interim Partial Year	Partial Project Year	YR1	YR2	YR3
	2023	2024	2025	2026	2026	2027	2028	2029
NH Main Campus	35,689	36,720	37,635	28,507	8,724	35,011	35,476	35,947
NH Orthopedic	1,410	1,352	1,297	943				
Scotts Hill					1,105	4,435	4,494	4,554
Total Discharges	37,099	38,073	38,932	29,449	9,829	39,446	39,970	40,501

Source: See Table on page 135 of the application.

Note: NHHHRMC has 45 NICU beds per the 2022 LRA. Total acute care beds, existing and approved, in YR3 is 774 (729 + 45 NICU = 774)

Projected utilization is reasonable and adequately supported based on the application, exhibits to the application, the public hearing, and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- The applicant operates the only acute care hospital in New Hanover County.
- Based on the applicant’s historical utilization and growth, the 2023 SMFP shows a need for 25 additional acute care beds in New Hanover County. This need determination was driven entirely by historical utilization at the applicant’s existing facilities.
- The overall population and the 65+ age cohort of the population in both the primary and secondary service areas are projected to increase through the third project year. The applicant cites the NCOBM projected total population growth in the primary services area (New Hanover County) from 2022 to 2027 of 6.4% and 12.7% from 2022 to 2032. The 65+ age cohort is projected to grow 13.2% from 2022 to 2027 and 23.3% from 2022 to 2032. In the secondary service area total population is projected to increase 14.5% from 2022 to 2032 and 29.6% for the same period of time.
- Total patient days at NHHHRMC increased 15.3% from 2018-2021.
- In the last full year with historical data (CY2022) the occupancy rate at NHHHRMC was 78.7% which exceeds the performance standard of 78.0% utilization as promulgated in 10A NCAC 14C .3803.
- NHHHRMC is the only tertiary hospital in the area. The applicant states that due to capacity constraints NHHHRMC “*must sometimes deny a transfer request*”. The additional beds will allow NHHHRMC to accept more transfer requests and meet the needs of patients in the larger service area and those coming from hospitals without as many resources as NHHHRMC.
- Letters from physicians who have expressed support for the proposed project. See Exhibit C-4.1.
- In the third year after project completion, the applicant projects utilization of 85.6% of the acute care beds at all NHHHRMC’s campuses in the New Hanover Acute Care Bed Service Area, which exceeds the performance standard of 78.0% utilization as promulgated in 10A NCAC 14C .3803.

Access to Medically Underserved Groups

In Section C.6, page 57, the applicant states,

“NHNHRMC is a not-for-profit organization that does not discriminate against any class of patient based on age, sex, religion, race, handicap, ethnicity, or ability to pay. NHNHRMC actively participates in both the Medicaid and Medicare programs.

...

Services are available to all persons including: (a) low income persons, (b) racial and ethnic minorities, (c) women, (d) handicapped persons, (e) the elderly, and (f) other underserved persons, including the medically indigent referred by their attending physicians.”

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

Medically Underserved Groups	Percentage of Total Patients
Low income persons	NA*
Racial and ethnic minorities	27%
Women	58%
Persons with Disabilities	NA*
Persons 65 and older	39%
Medicare beneficiaries	42%
Medicaid recipients	14%

Source: Table on page 58 of the application.

*NH does not track this information.

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

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion for 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 the reduction or elimination of a 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 no more than 25 acute care beds at NHNHRMC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

In Section E.1, pages 70-71, 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:

Maintain the Status Quo: The applicant states that maintaining the status quo is not acceptable because it would fail to meet the acute care demands at NHNHRMC. Therefore, the applicant found this to be a less effective alternative.

Apply for a Different Number of Acute Care Beds: The applicant states that developing fewer acute care beds would detrimentally affect patients as fewer beds would negatively impact patient access to NH Main Campus, would not allow for the improvement needed for allowing patient transfers from other regional hospitals and would not have as much of a positive impact on reducing bottlenecks in the emergency department. Therefore, the applicant found this to be a less effective alternative.

Add Beds at a Different NH campus in New Hanover County: The applicant states that the only other hospital campus in New Hanover County at the time of the projected development of these 25 acute care beds would be the Novant-Scotts Hill campus. Utilization projections for Novant-Scotts Hill campus do not show an immediate need for additional acute care beds. In addition, Novant-Scotts Hill is not currently designed to accommodate an additional 25 acute care beds beyond the plan for 78 acute care beds. The Novant-Orthopedic Hospital campus is planned to be closed when the Novant-Scotts Hill campus opens. Therefore, the applicant found this to be a less effective and more costly alternative.

Place the beds at a Different Location on the NHNHRMC 17th Street Main Campus: The applicant states that to place the 25 acute care beds in a different location on the NH Main campus would require the demolition of existing buildings which would add cost and time to the proposed project. Therefore, the applicant found this to be a less effective and more costly alternative.

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

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

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

- 1. Novant Health New Hanover Regional Medical Center, LLC and Novant Health, Inc. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall add no more than 25 acute care beds to the 17th Street Main Campus of Novant Health New Hanover Regional Medical Center.**
- 3. Upon completion of the project, Project ID# O-11947-20 (develop a new satellite hospital campus including developing 36 new acute care beds) and Project ID #O-12081-21 (develop 35 new acute care beds) Novant Health New Hanover Regional Medical Center shall be licensed for no more than 774 acute care beds, including NICU beds, at all campuses.**
- 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.**

- c. **The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. **The first progress report shall be due on May 1, 2024.**
5. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project’s proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
6. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (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 no more than 25 acute care beds at NHNHRMC’s 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

Capital and Working Capital Costs

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

Site Costs	\$0
Construction Costs	\$43,238,954
Miscellaneous Costs	\$12,690,335
Total	\$55,929,289

The applicant provides its assumptions and methodology for projecting capital cost in Section Q and Exhibits F-1.1, F-1.2 and K-1. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based the information provided in Section F.1, page 72, Section Q and referenced exhibits.

In Section F.3, pages 74-76, the applicant states that there will be no start-up costs or initial operating expenses as NHNHRMC is an existing hospital.

Availability of Funds

In Section F.2, page 72, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	<i>Novant Health New Hanover Regional Medical Center</i>	<i>Novant Health, Inc.</i>	Total
Loans	\$0	\$0	\$0
Accumulated reserves or OE *	\$0	\$55,929,289	\$55,929,289
Bonds	\$0	\$0	\$0
Other (Specify)	\$0	\$0	\$0
Total Financing	\$0	\$55,929,289	\$55,929,289

* OE = Owner's Equity

In Exhibit F-2.1, the applicant provides a letter dated February 8, 2023, from the Senior Vice President, Operational Finance and Revenue Cycle for Novant Health, Inc. stating its commitment of \$55,929,289 million of its accumulated reserves to fund the capital cost costs of the proposed project.

Exhibit F-2.2 contains a copy of the audited Consolidated Financial Statements for Novant Health, Inc. and Affiliates for the year ending December 31, 2021. According to the financial report, as of December 31, 2021, Novant Health, Inc. had adequate accumulated reserves to fund the projected capital requirements of the proposed project. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based the information provided in Section F and Exhibits F-2.1 and F-2.2 of the application.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years (FFY's) of operation following completion of the project. In Form F.2b, the applicant projects for acute care services at NH Main Campus, excluding NICU, that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

NH Main Campus

	1 st Full Fiscal Year (CY2027)	2 nd Full Fiscal Year (CY2028)	3 rd Full Fiscal Year (CY2029)
Total Patient Days	197,655	200,280	202,941
Total Gross Revenues (Charges)	\$2,235,868,394	\$2,333,529,198	\$2,435,469,400
Total Net Revenue	\$643,682,396	\$671,797,888	\$701,145,373
Average Net Revenue per Patient Days	\$3,257	\$3,354	\$3,455
Total Operating Expenses (Costs)	\$632,672,580	\$658,724,451	\$685,872,891
Average Operating Expense per Patient Days	\$3,201	\$3,289	\$3,380
Net Income	\$11,009,816	\$13,073,437	\$15,272,482

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Projected charges and revenues are reasonable and adequately supported.

- Projected operating expenses are reasonable and adequately supported.
- 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 that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
 - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
 - 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 revenues and operating expenses for all the reasons described above.
- (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 no more than 25 acute care beds at NHNHRMC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

On page 31, the 2023 SMFP defines the service area for acute care hospital beds as "...*the single or multicounty grouping shown in Figure 5.1.*" Figure 5.1, on page 36, shows New Hanover County as its own acute care bed service area. NHNHRMC is in New Hanover County. Thus, the service area for this application is New Hanover County. Facilities may also serve residents of counties not included in their service area.

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

New Hanover County Acute Care Beds	
Facility	Existing/Approved Beds
Novant Health New Hanover Regional Medical Center*	704
New Hanover County Total	704

Source: Table 5A, 2023 SMFP and approved applications.

*NHNHRMC has 633 existing AC beds and 71 approved, but undeveloped, AC beds for a total of 704 AC beds. A certificate of need was issued on April 22, 2021, for Project ID #O-11947-20. (Develop a new hospital by relocating no more than 30 acute care beds from NH Orthopedic Hospital and 8 ORs from New Hanover Regional Medical Center and developing 36 acute care beds pursuant to the need determination in the 2020 SMFP for a total of no more than 66 acute care beds). Novant Health New Hanover Regional Medical Center- Scotts Hill will operate under the same license as Novant Health New Hanover Regional Medical Center. A certificate of need was issued on October 26, 2021, for Project ID #O-12081-21 (Add no more than 35 acute care beds to the main campus of Novant Health New Hanover Regional Medical Center pursuant to the need determination in the 2021 SMFP for a total of no more than 749 acute care beds at all campuses of Novant Health New Hanover Regional Medical Center upon completion of this project and Project ID# O-11947-20 (develop a new satellite hospital campus).

Note: The project analyst notes that NHNHRMC has 45 NICU beds. NICU beds are not included as part of the planning inventory for acute care beds in the 2023 SMFP.

In Section G.2, pages 81-82, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds in New Hanover County. The applicant states:

“The 2023 SMFP shows a need for 25 acute care beds in New Hanover County, because of the utilization at NHNHRMC. The proposed project does not request more beds than the 2023 SMFP shows are needed, so there is no unnecessary duplication in the service area. Moreover, NHNHRMC is the only acute care provider in the New Hanover County service area and the only tertiary provider for the larger secondary service area (Bladen, Brunswick, Columbus, Duplin, Onslow, and Pender counties).”

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

- There is a need determination in the 2023 SMFP for 25 acute care beds in the service area and the applicant proposes to develop 25 acute care beds.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing or approved acute care beds in New Hanover County.

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.

- (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 no more than 25 acute care beds at NHNHRMC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

In Section Q, Form H, the applicant provides the projected full-time equivalent (FTE) staffing for the proposed services, as shown in the table on page 150 of the application.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Sections H.2 and H.3, pages 83-86, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Exhibits H-2.1, H-2.2, H-2.3, H-2.4, H-2.5, H-3.1, H-3.2, H-3.3, H-3.4 and H-3.5, the applicant provides supporting documentation.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the information provided in Section H, pages 83-86, Exhibits H-2.1, H-2.2, H-2.3, H-2.4, H-2.5, H-3.1, H-3.2, H-3.3, H-3.4 and H-3.5, and in Section Q, Form H, as described above.

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.

- (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 no more than 25 acute care beds at NHHNHRMC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

Ancillary and Support Services

In Section I.1, page 87, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 87-88, the applicant explains how each ancillary and support service is or will be made available, the applicant states,

“All the ancillary and support services in the table above are required to support acute care inpatient services, and all are provided by facility staff at NHHNHRMC”

The applicant adequately demonstrates that the necessary ancillary and support services will be made available and provides supporting documentation in Exhibits I-1.1 and I-1.2.

Coordination

In Section I.2, pages 88-89, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I-2. The applicant states,

“Longstanding transfer agreements currently exist between NHRMC and many health care providers in North Carolina and South Carolina. NHRMC expects these arrangements to continue into the foreseeable future. NHRMC has existing written agreements with several local providers.”

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the information provided in Section I.2, pages 88-89, and Exhibit I-2, as described above.

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 no more than 25 acute care beds at NHNHRMC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

In Section K, page 91, the applicant states that the project involves constructing 61,941 square feet of new space and renovating 13,224 square feet of existing space. Line drawings are provided in Exhibit K-1.

On pages 91-92, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the information and representations made by the applicant on pages 91-92, and the architects certified cost estimates in Exhibit F-1.1.

On page 92, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the information and representations made by the applicant on page 92 of the application.

On pages 92-93, 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;

C

In Section L.1, page 95, the applicant provides the historical payor mix for NH Main Campus for CY2022, as shown in the table below.

Payor Category	Percent of Total Patients Served
Self-Pay	3.1%
Charity Care	4.8%
Medicare*	40.1%
Medicaid*	16.5%
Insurance*	29.9%
Workers Compensation	0.3%
TRICARE	2.7%
Other (VA, Hospice, Other)	2.6%
Total	100.0%

Source: Table on page 95 of the application.

*Including any managed care plans.

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

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	61.2%	52.3%
Male	38.8%	47.7%
Unknown	0.0%	Not available
64 and Younger	62.4%	81.1%
65 and Older	37.6%	18.9%
American Indian	0.9%	0.6%
Asian	0.6%	1.5%
Black or African American	17.5%	13.1%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	73.3%	82.3%
Other Race	4.8%	2.3%
Declined / Unavailable	2.8%	Not available

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities

and 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.2, page 97, the applicant states:

“NHRMC fulfilled its Hill-Burton obligation and has no related obligation under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and the handicapped.”

In Section L, page 98, the applicant states that during the last 18 months no patient civil rights access complaints have been against NHRMC or its affiliated licensed hospitals in North Carolina.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L.3, page 98, the applicant projects the payor mix for services at NH Main Campus during the third full fiscal year of operation (CY2029) following completion of the project, as illustrated in the following table.

**NHNHRMC-Main Campus
 3rd Full FY (CY2029)**

Payor Category	Percent of Total of Total Patients Served
Self-Pay	3.9%
Charity Care	5.1%
Medicare*	41.5%
Medicaid*	14.1%
Insurance*	29.6%
Workers Compensation	0.2%
TRICARE	2.5%
Other	3.0%
Total	100.0%

Source: Table on page 98 of the application.

*Including any managed care plans.

In Section L.3, page 99, the applicant projects the payor mix for acute care services at NH Main Campus for acute care services (excluding NICU) during the third full fiscal year of operation (CY2029) following completion of the project, as illustrated in the following table.

**NHNHRMC-Main Campus Acute Care Services (Excluding NICU)
 3rd Full FY (CY2029)**

Payor Category	Percent of Total of Total Patients Served
Self-Pay	2.4%
Charity Care	3.5%
Medicare*	50.9%
Medicaid*	14.2%
Insurance*	23.5%
Workers Compensation	0.2%
TRICARE	2.8%
Other (VA, Hospice, Other)	2.4%
Total	100.0%

Source: Table on page 99 of the application.

*Including any managed care plans.

As shown in the table immediately above, during the third full fiscal year of operation following completion of the project, the applicant projects that 2.4 percent of total acute care services (excluding NICU) will be provided to self-pay patients, 3.5 percent to charity care patients, 50.9 percent to Medicare patients, and 14.2 percent to Medicaid patients.

On page 98, the applicant provides the assumptions and methodology used to project payor mix during the first three years of operation following completion of the project.

The projected payor mix is reasonable and adequately supported because the applicant's proposed patient payor mix is based on NH Main Campus's historical experience for acute care services (excluding NICU) for CY 2022.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L.5, page 100, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than 25 acute care beds at NHHNHRMC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

In Section M.1, page 102, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit H-2.1.

The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the information provided in Section M, page 102, as described above.

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 no more than 25 acute care beds at NHNHRMC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

On page 31, the 2023 SMFP defines the service area for acute care hospital beds as "...*the single or multicounty grouping shown in Figure 5.1.*" Figure 5.1, on page 36, shows New Hanover County as its own acute care bed service area. NHNHRMC is in New Hanover County. Thus, the service area for this application is New Hanover County. Facilities may also serve residents of counties not included in their service area.

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

New Hanover County Acute Care Beds	
Facility	Existing/Approved Beds
Novant Health New Hanover Regional Medical Center*	704
New Hanover County Total	704

Source: Table 5A, 2023 SMFP and approved applications.

*NHNHRMC has 633 existing AC beds and 71 approved, but undeveloped, AC beds for a total of 704 AC beds. A certificate of need was issued on April 22, 2021, for Project ID #O-11947-20. (Develop a new hospital by relocating no more than 30 acute care beds from NH Orthopedic Hospital and 8 ORs from New Hanover Regional Medical Center and developing 36 acute care beds pursuant to the need determination in the 2020 SMFP for a total of no more than 66 acute care beds). Novant Health New Hanover Regional Medical Center- Scotts Hill will operate under the same license as Novant Health New Hanover Regional Medical Center. A certificate of need was issued on October 26, 2021, for Project ID #O-12081-21 (Add no more than 35 acute care beds to the main campus of Novant Health New Hanover Regional Medical Center pursuant to the need determination in the 2021 SMFP for a total of no more than 749 acute care beds at all campuses of Novant Health New Hanover Regional Medical Center upon completion of this project and Project ID# O-11947-20 (develop a new satellite hospital campus).

Note: The project analyst notes that NHNHRMC has 45 NICU beds. NICU beds are not included as part of the planning inventory for acute care beds in the 2023 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 104, the applicant states:

“Given its proximity to the South Carolina border, NHNHRMC also competes with larger health systems both inside and outside of North Carolina for specialty and tertiary services. NHNHRMC recognizes that patients have a choice of where to receive their care, and has submitted this application in an effort to meet the growing demand for services that many North Carolina residents elect to receive at NHNHRMC’s 17th Street Main Campus.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 104, the applicant states:

“The proposed project is the most cost-effective way to provide more inpatient bed capacity at NHNHRMC’s 17th Street Main campus.”

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

Regarding the impact of the proposal on quality, in Section N, page 104, the applicant states:

“NHNHRMC has experienced higher patient acuity and longer lengths of stay that have strained its current inpatient and ED capacity. The proposed project will expand access to specialty and tertiary acute care services by relaxing capacity constraints. The additional beds will relieve admission delays from the ED, thereby improving quality of care for patients. The additional beds will improve quality of care by ensuring timely access to acute

care services, including tertiary services, by decreasing admission delays and increasing ability to accept transfers from smaller hospitals in the secondary 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, page 105, the applicant states:

“NHNHRMC serves all patients, regardless of race, color, religion, creed, national origin, sex, sexual orientation, disability, age, or ability to pay. See Exhibit N-2 for copies of the NHNHRMC Patient Bill of Rights & Responsibilities.

...

Some patients who will benefit from increased bed availability are uninsured patients and patients covered by Medicare and Medicaid. NHNHRMC and its medical staff operate under NH’s Charity Care and financial help policies, found in Exhibit L-4.1 and discussed elsewhere in this application.”

See also Section L and C 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 demonstrated: 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
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on 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 no more than 25 acute care beds at NHHNRC's 17th Street Main Campus in Wilmington pursuant to the need determination in the 2023 SMFP for 25 acute care beds in New Hanover County.

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

In Section O, pages 108- 109, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care that resulted in a finding of immediate jeopardy occurred in one of these facilities, NHHNRC. On page 109 the applicant states,

“The finding related to the evaluation and supervision of care of two patients in the ED at NHHNRC. The North Carolina State Survey Agency conducted a follow-up survey and determined on August 11, 2022, that NHHNRC is in compliance. A CMS memo dated August 22, 2022, confirmed NHHNRC has been restored to its “deemed status” as a facility accredited by Det Norske Veritas (DNV).”

The applicant provides a copy of the CMS “deemed status” letter in Exhibit O.5.

According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in two of the facilities identified in Form O. The applicant states that all the problems have been corrected. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in two of these facilities, both are back in compliance. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all eighteen 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.

C

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

SECTION .3800 – CRITERIA AND STANDARDS FOR ACUTE CARE BEDS

10A NCAC 14C .3801 DEFINITIONS

The following definitions shall apply to this Section:

- (1) “Applicant hospital” means the hospital where the applicant proposes to develop the new acute care beds and includes all campuses on one license.
- (2) “Approved beds” means acute care beds in a hospital that were issued a certificate of need but are not licensed as of the application deadline for the review period.
- (3) “Average daily census (ADC)” means the total number of acute care days of care provided during a full fiscal year of operation divided by 365 days.
- (4) “Existing beds” means acute care beds in a hospital that are licensed as of the application deadline for the review period.
- (5) “Hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity.
- (6) “Occupancy rate” means the ADC divided by the total number of existing, approved and proposed acute care hospital beds.
- (7) “Proposed beds” means the acute care beds proposed to be developed in a hospital in the application under review.
- (8) “Qualified applicant” shall have the same meaning as defined in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- (9) “Service area” shall have the same meaning as defined in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- (10) “Target occupancy percentage” means:
 - (a) 66.7 percent if the ADC is less than 100;
 - (b) 71.4 percent if the ADC is 100 to 200;

- (c) 75.2 percent if the ADC is 201 to 399; or
- (d) 78.0 percent if the ADC is greater than 400.

10A NCAC 14C .3803 PERFORMANCE STANDARDS

An applicant proposing to develop new acute care beds in a hospital pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period shall:

- (1) document that it is a qualified applicant;
- C- In Section A, page 26, and Exhibits A-1.1 and B-1, the applicant documents that it is a qualified applicant.
 - (2) provide projected utilization of the existing, approved, and proposed acute care beds for the applicant hospital during each of the first three full fiscal years of operation following completion of the project;
- C- The applicant provides projected utilization of the existing, approved and proposed acute care beds for NHHHRMC during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.
 - (3) project an occupancy rate of the existing, approved, and proposed acute care beds for the applicant hospital during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage;
- C- The applicant provides the projected occupancy rate of the existing, approved and proposed acute care beds for NHHHRMC during each of the first three full fiscal years of operation following completion of the project that exceeds the target occupancy percentage. The discussion regarding projected target occupancy found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.
 - (4) provide projected utilization of the existing, approved, and proposed acute care beds for the hospital system during each of the first three full fiscal years of operation following completion of the project;
- C- The applicant provides projected utilization of the existing, approved and proposed acute care beds for NHHHRMC hospital system during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.
 - (5) project an average occupancy rate of the existing, approved, and proposed acute care beds for the hospital system during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage; and

- C- The applicant provides the projected occupancy rate of the existing, approved and proposed acute care beds for NHHHRMC hospital system during each of the first three full fiscal years of operation following completion of the project that exceeds the target occupancy percentage. The discussion regarding projected target occupancy found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

(6) provide the assumptions and methodology used to project the utilization and occupancy rates required in Items (2), (3), (4), and (5) of this Rule.
- C- See Section C, pages 42-52, for the applicant's discussion of need and Section Q for the applicant's data, assumptions, and methodology used to project utilization of acute care beds and occupancy rates. The discussion regarding projected utilization and occupancy rates found in Criterion (3) is incorporated herein by reference.