

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: January 26, 2024

Findings Date: February 2, 2024

Project Analyst: Gregory F. Yakaboski

Co-Signer: Lisa Pittman

COMPETITIVE REVIEW

Project ID #: J-12412-23
Facility: Duke Raleigh Hospital
FID #: 923421
County: Wake
Applicant: Duke University Health System, Inc.
Project: Develop no more than 41 acute care beds pursuant to the 2023 SMFP need determination

Project ID #: J-12417-23
Facility: UNC Health Rex Hospital
FID #: 953429
County: Wake
Applicant: Rex Hospital, Inc.
Project: Develop no more than 44 acute care beds pursuant to the need determination in the 2023 SMFP

Project ID #: J-12418-23
Facility: WakeMed Cary Hospital
FID #: 990332
County: Wake
Applicant: WakeMed
Project: Develop no more than 9 acute care beds pursuant to the need determination in the 2023 SMFP

Project ID #: J-12419-23
Facility: WakeMed North Hospital
FID #: 990974
County: Wake
Applicant: WakeMed
Project: Develop no more than 35 acute care beds pursuant to the need determination in the 2023 SMFP and develop 15 observation beds

Each application was reviewed independently against the applicable statutory review criteria found in G.S. 131E-183(a) and the regulatory review criteria found in 10A NCAC 14C. After completing an independent analysis of each application, the Healthcare Planning and Certificate of Need Section (CON Section) also conducted a comparative analysis of all the applications. The Decision, which can be found at the end of the Required State Agency Findings (Findings), is based on the independent analysis and the comparative analysis.

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

All Applications

Need Determination

Chapter 5 of the 2022 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care (AC) beds in North Carolina by service area. Application of the need methodology in the 2023 SMFP identified a need for 44 additional acute care beds in the Wake County service area. Four applications were submitted to the Healthcare Planning and Certificate of Need Section (“CON Section” or “Agency”) proposing to develop a total of 129 new acute care beds in Wake County. However, pursuant to the need determination, only 44 acute care beds may be approved in this review for the Wake County service area. See the Conclusion following the Comparative Analysis for the Decision.

2023 SMFP: Mandatory applicant criteria for AC beds

On pages 34-35, the 2023 SMFP states:

“A person who proposes to operate 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 following major diagnostic categories (MDC) recognized by the Centers for Medicare & Medicaid services listed below... [listed on pages 34-35 of the 2023 SMFP].*”

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.”

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.”

Policy GEN-3 applies to all four of the applications.

Policy GEN-4 applies to three of the applications: Project ID #'s **J-12412-23, J-12417-23 and J-12419-23** but does not apply to one of the applications: Project ID #'s **J-12418-23**.

Project ID #J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

Duke University Health System, Inc. (hereinafter referred to as “DUHS” or “the applicant”) proposes to add no more than 41 additional acute care beds at Duke Raleigh Hospital (DRAH) pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County. DRAH is currently licensed for 186 AC beds. DRAH has two conditionally approved but undeveloped projects that, upon completion, will affect the number of AC beds at DRAH. The first is Project ID #J-12029-21 (develop a new separately licensed 40-bed hospital [Duke Green Level Hospital] by relocating no more than 40 acute care beds and two shared ORs from Duke Raleigh Hospital). The second is Project ID#-12263-22 (develop 18 new AC beds at DRAH). Upon completion of those two projects DRAH will be licensed for 164 AC beds (including neonatal intensive care unit (NICU) beds of which DRAH has none) and the separately licensed Duke Green Level Hospital will be licensed for 40 AC beds (no NICU beds). Upon completion of these two projects the Duke Health System in Wake County will have 204 licensed AC beds (no NICU beds) between two separately licensed hospitals. If the current proposed project (add 41 ACH beds at DRAH) is approved DRAH will have 205 AC beds upon completion of this project and Project ID#J-12029-21 (relocate 40 AC beds from DRAH) and Project ID#J-12263-22 (Add 18 AC beds to DRAH).

Duke Raleigh Hospital is located at 3400 Wake Forest Road, Raleigh.

Need Determination. In Section B, page 23, and Exhibits B.1 and C.4, the applicant adequately demonstrates that it meets the requirements set forth in the 2023 SMFP, Chapter 5, pages 34-35. Furthermore, the applicant does not propose to develop more acute care beds than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B, pages 25-26, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is approximately \$14.0 million. In Section B, page 27, the applicant describes the project’s plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.
- The applicant adequately demonstrates it meets the eligibility criteria needed to apply for acute care beds as set forth in the 2023 SMFP, Chapter 5, pages 34-35.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in Wake County; and
 - The applicant adequately documents how the project will promote equitable access to acute care bed services in Wake County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

Rex Hospital, Inc. (hereinafter referred to as "Rex Inc." or "the applicant") proposes to add no more than 44 acute care beds at UNC Health Rex Hospital (hereinafter also referred to as UNC REX) pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County. In Wake County, with respect to AC beds, the UNC Health System is comprised of UNC REX Hospital and UNC REX Holly Springs Hospital. UNC REX Hospital and UNC REX Holly Springs Hospital operate under the same license. Currently UNC REX Hospital is licensed for 489 AC beds divided between UNC REX and UNC REX Holly Springs Hospital [UNC REX Hospital has 439 licensed AC beds (21 of which are NICU beds) and UNC REX Holly Springs Hospital has 50 licensed AC beds (none of which are NICU bed)].

If the current proposed project (add 44 ACH beds at UNC REX) is approved UNC REX will have 483 AC beds (including 21 NICU beds) upon completion of this project and Project ID#J-12258-22 (Add 18 AC beds to UNC REX).

UNC REX Hospital is located at 4420 Lake Boone Trail, Raleigh.

Need Determination. In Section B, page 25, the applicant adequately demonstrates that it meets the requirements set forth in the 2023 SMFP, Chapter 5, pages 34-35. Furthermore, the applicant does not propose to develop more acute care beds than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B, pages 27-32, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is approximately \$8.6 million. In Section B, page 33, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.
- The applicant adequately demonstrates it meets the eligibility criteria needed to apply for acute care beds as set forth in the 2023 SMFP, Chapter 5, pages 34-35.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in Wake County; and
 - The applicant adequately documents how the project will promote equitable access to acute care bed services in Wake County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Project ID #J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

WakeMed, (hereinafter referred to as “WakeMed” or “the applicant”) proposes to add 9 AC beds to WakeMed Cary Hospital (WakeMed Cary). Upon project completion WakeMed Cary would have 217 AC beds (including 8 NICU beds). WakeMed Cary is located at 1900 Kildaire Farm Road in Cary.

WakeMed Cary is part of the WakeMed Health System in Wake County. With respect to AC beds the WakeMed Health System is comprised of four existing or approved hospitals operating under two separate licenses. The hospitals are WakeMed Cary, WakeMed Raleigh, WakeMed North and WakeMed Garner (approved but not yet developed). WakeMed Cary operates under its own license. WakeMed Raleigh, WakeMed North and WakeMed Garner operate under the WakeMed Raleigh license (hereinafter referred to as the WakeMed Raleigh license).

WakeMed submitted two concurrent applications regarding the need determination for 44 AC beds in the 2023 SMFP which, if both are approved as submitted, would total 44 new AC beds in the WakeMed Health System in Wake County. This application for 9 new AC beds at WakeMed Cary and a concurrent application is for 35 new AC beds at WakeMed North.

Need Determination. In Section B, page 25, and Exhibit B.1, the applicant adequately demonstrates that it meets the requirements set forth in the 2023 SMFP, Chapter 5, pages 34-35. Furthermore, the applicant does not propose to develop more acute care beds than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B, pages 27-33, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is approximately \$1.8 million. Therefore, Policy GEN-4 is not applicable to this application.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

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

- The applicant adequately demonstrates it meets the eligibility criteria needed to apply for acute care beds as set forth in the 2023 SMFP, Chapter 5, pages 34-35.
- 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 Wake County; and
 - The applicant adequately documents how the project will promote equitable access to acute care beds services in Wake County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

Project ID #J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

WakeMed, (hereinafter referred to as “WakeMed” or “the applicant”) proposes to add 35 AC beds to WakeMed North Hospital (WakeMed North). WakeMed North would have 112 AC beds (including 6 NICU beds) upon completion of this project and Project ID# J-10166-13 (reconvert 16 nursing facility beds to acute care beds and relocate to WakeMed North). WakeMed Cary is located at 10000 Falls of Neuse Road in Raleigh.

WakeMed North is part of the WakeMed Health System in Wake County. With respect to AC beds the WakeMed Health System is comprised of four existing or approved hospitals: WakeMed Cary, WakeMed Raleigh, WakeMed North and WakeMed Garner (approved but not yet developed). WakeMed Cary operates under its own license. WakeMed North operates under the WakeMed Raleigh license along with WakeMed Garner.

WakeMed submitted two applications regarding the need determination for 44 AC beds in the 2023 SMFP which, if both are approved as submitted, would total 44 new AC beds in the WakeMed Health System in Wake County. This application for 35 new AC beds at WakeMed North and a concurrent application is for 9 new AC beds at WakeMed Cary.

Need Determination.

In Section B, page 25, and Exhibit B.1, the applicant adequately demonstrates that it meets the requirements set forth in the 2023 SMFP, Chapter 5, pages 34-35. Furthermore, the applicant does not propose to develop more acute care beds than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B, pages 27-33, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is approximately \$157.7 million. In Section B, pages 34-36, the applicant describes the project’s plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.
 - The applicant adequately demonstrates it meets the eligibility criteria needed to apply for acute care beds as set forth in the 2023 SMFP, Chapter 5, pages 34-35.
 - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in Wake County; and
 - The applicant adequately documents how the project will promote equitable access to acute care beds services in Wake County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.
- (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

All Applications

Project ID #J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

The applicant proposed to develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

The following table show the existing and approved acute care beds for the Duke Health System in Wake County.

The project analyst notes that in the 2023 SMFP neonatal intensive care unit (NICU) beds have been removed from the acute care bed need methodology. Therefore, for this review, the number of acute care beds at each hospital which are designated as NICU beds are identified and “backed out” of the total AC bed count.

DRAH does not have any NICU beds.

Duke Health System: Existing and Approved AC Beds

	Licensed Acute Care Beds	CON Approved Projects	Total All AC Beds	NICU Beds	Total AC Beds minus NICU Beds
Duke Raleigh Hospital	186	(-40)	146	0	146
Duke Raleigh Hospital		18	18	0	18
Duke Raleigh Hospital Totals	186		164	0	164
Duke Green Level Hospital	0	40	40	0	40
Total: Duke Health System*	186	18	204	0	204

Source: Table 5A, 2023 SMFP, pages 42-43; 2023 Hospital License Renewal Applications (LRAs) and project approval data. The 2023 Hospital LRA is for the period of 10/1/2021 to 9/30/2022.

*DUHS was approved to develop a separately licensed acute care hospital, Duke Green Level Hospital (Project ID#J-12029-21), by relocating 40 AC beds from DRAH. In addition, DRAH was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12263-22).

DUKE Health System: Existing, Approved and Proposed AC Beds

	Total All AC Beds	NICU Beds	Total AC Beds minus NICU Beds	Proposed AC Beds	Total AC Beds (Proposed, Approved and Existing)
Duke Raleigh Hospital	164	0	164	41	205
Duke Green Level Hospital	40	0	40	0	40
Total: Duke Health System*	204	0	204	41	245

Source: Table 5A, 2023 SMFP, pages 42-43; 2023 Hospital License Renewal Applications (LRAs); and project approval data. The 2023 Hospital LRA is for the period of 10/1/2021 to 9/30/2022.

*DUHS was approved to develop a separately licensed acute care hospital, Duke Green Level Hospital (Project ID#J-12029-21), by relocating 40 AC beds from DRAH. In addition, DRAH was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12263-22).

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 Wake County as its own acute care bed service area. Duke Raleigh Hospital is in Wake County. Thus, the service area for this facility is Wake County. Facilities may also serve residents of counties not included in their service area.

The following tables illustrate historical and projected patient origin for acute care bed services.

DRAH: Acute Care Beds

County	Historical (7/1/2022 to 6/30/2023)*		Third Full FY of Operation following Project Completion (7/1/2027 to 6/30/2028)	
	Patients	% of Total	Patients	% of Total
Wake	6,360	62.4%	7,705	62.4%
Franklin	495	4.9%	600	4.9%
Johnston	345	3.4%	418	3.4%
Durham	204	2.0%	247	2.0%
Cumberland	186	1.8%	225	1.8%
Nash	167	1.6%	202	1.6%
Harnett	152	1.5%	184	1.5%
Granville	137	1.3%	166	1.3%
Vance	117	1.1%	142	1.1%
Wayne	104	1.0%	126	1.0%
Virginia	155	1.5%	188	1.5%
Other States	213	2.1%	258	2.1%
Other NC Counties**	1,556	15.3%	1,885	15.3%
Total	10,191	100.0%	12,345	100.0%

Source: Tables on pages 30 and 32 of the application.

*FY2023 patient origin annualized based on 11 months data (July-May).

**Other- Includes less than one percent patient origin from each of the remaining counties in North Carolina.

In Section C, page 30, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported because they are based on the historical [FY 2023 annualized based on 11 months data, July-May] patient origin for acute care bed services at DRAH and the proposed project is not expected to result in any change in patient origin based on the proposed project.

Analysis of Need

In Section C, pages 34-45, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The need for 44 additional acute care beds in Wake County identified in the 2023 SMFP (pages 35-36).
- Historical growth of inpatient volumes at DRAH (pages 37-40).
- Duke Health strategic growth (pages 41-42).
- Projected population growth in the service area (pages 42-45).

The information is reasonable and adequately supported based on the application, exhibits to the application, written comments, responses to comments, remarks made at 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:

- There is a need determination for 44 acute care beds in the Wake County acute care service area in the 2023 SMFP. The applicant is applying to develop 41 acute care beds in Wake County in accordance with the acute care bed need determination in the 2023 SMFP.
- The applicant uses clearly cited, reasonable, and verifiable historical and demographical data to make the assumptions with regard to identifying the population to be served.
- The applicant uses a reasonable methodology and reasonable assumptions to demonstrate the need the population projected to be served has for the proposed acute care services.

Projected Utilization

In Section Q, Form C.3b, page 101, the applicant provides Duke Raleigh Hospital’s historical, interim and projected utilization for its acute care beds. The following table summarizes the historical, interim and projected utilization for all types of acute care beds at DRAH.

The following table illustrates historical and projected patient origin of acute care discharges. Note: The acute care discharges, historical or projected, do not include NICU as in the 2023 SMFP NICU beds have been removed from the acute care bed need methodology.

DRAH Historical, Interim and Projected Acute Care Bed Utilization

	Last Full FY2022*	Interim FY2023	Interim FY2024	Interim FY2025	OY1 FY2026	OY2 FY2027	OY3 FY2028
Total # of Beds	186	186	204**	204**	245	245	245
# of Discharges	9,386	10,191	10,597	11,165	11,545	11,939	12,345
ALOS***	5.8	5.4	5.4	5.3	5.3	5.3	5.3
# of Patient Days	54,279	55,336	57,222	59,173	61,189	63,275	65,431

* All fiscal years run from July 1st through June 30th.

**Reflects the 18 AC Beds approved in Project ID# J-12263-22. DUHS was approved to develop a separately licensed acute care hospital, Duke Green Level Hospital (Project ID#J-12029-21), by relocating 40 AC beds from DRAH. As approved, the first year after project completion for Duke Green Level hospital was supposed to be FY2027. However, Duke Raleigh hospital states that Duke Green Level hospital will not be operational until FY2029. See page 28 of this application. Therefore the 40 AC beds that were approved to be relocated from DRAH to the separately licensed Duke Green Level hospital will remain as licensed AC beds with DRAH through the third project year (FY2028) of this proposed project.

***Average Length of Stay (ALOS)

In Section Q Forms C.3a and C.3b Utilization-Assumptions and Methodology, pages 102-104, the applicant provides the methodology and assumptions for projecting utilization, as summarized below.

- All fiscal years run from July 1st through June 30th.
- FY2023 data is annualized based on eleven months (July-May).
- The 18 AC beds approved in Project ID# J-12263-22 and the projected approval of 41 AC beds from this application are factored into the projected utilization.

- The applicant projects growth rate assumption of 3.4% for inpatient days of care based on the CAGR for 2019-2023 which is reasonable, and conservative based on the historical analysis of days of care at DRAH for various periods of time both including and not including years impacted by the COVID-19 pandemic. The CAGR of 3.4% is the lowest CAGR for historical growth of inpatient days of care for the various time periods analyzed by the applicant as presented in full on page 103 of the application.
- Inpatient (IP) days are based on the projected discharges, average daily census (ADC), and the average length of stay (ALOS).
- The applicant bases the projected ALOS of 5.3 on the four-year weighted ALOS during FY2020-FY2023. The applicant notes that the ALOS at DRAH increased from 5.0 in FY2019 to 5.8 in FY2023 which was attributed several factors including increased scope of specialty services and many procedures that were previously inpatient (ex. knee replacement) are now performed on an outpatient basis. The project analyst notes that FY2023 data is annualized based on eleven months of data (July-May).

Applicant Hospital- required occupancy.

Pursuant to the performance standard promulgated in 10A NCAC 14C .3803 (3) the applicant must “*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.*”

The applicant hospital for this proposed project is just Duke Raleigh Hospital. Duke Raleigh Hospital is the only hospital on the Duke Raleigh Hospital license. The ADC for DRAH in the third project year (FY2028) is 179.3. Pursuant to 10A NCAC 14C .3801 (10)(b) the target percentage occupancy is 71.4%. As shown in the table below, the projected occupancy rate in the third full fiscal year for DRAH is 74.3% which exceeds the required target percentage occupancy rate of 71.4%.

Dule Hospital System- required occupancy

DRAH is the only hospital in the Duke Hospital System in Wake County. Therefore, the projected occupancy rate in the third full fiscal year for DRAH is 74.3% which exceeds the required target percentage occupancy rate of 71.4%.

DRAH Historical, Interim and Projected Acute Care Bed Occupancy

	Last Full FY2022*	Interim FY2023	Interim FY2024	Interim FY2025	OY1 FY2026	OY2 FY2027	OY3 FY2028
Total # of Beds	186	186	204**	204**	245	245	245
# of Discharges	9,386	10,191	10,597	11,165	11,545	11,939	12,345
Average Length of Stay	5.8	5.4	5.4	5.3	5.3	5.3	5.3
# of Patient Days	54,279	55,336	57,222	59,173	61,189	63,275	65,431
ADC	148.7	151.6	156.8	162.1	167.6	173.4	179.3
Occupancy Rate	80.0%	81.5%	76.8%	79.5%	68.4%	70.8%	73.2%
Target Occupancy Rate per Performance Standard RULE	71.4%	71.4%	71.4%	71.4%	71.4%	71.4%	71.4%

Might not foot due to rounding.

ADC= Patient Days/365

Occupancy Rate (Utilization) is ADC/# of Beds

* All fiscal years run from July 1st through June 30th.

**Reflects the 18 AC Beds approved in Project ID# J-12263-22. DUHS was approved to develop a separately licensed acute care hospital, Duke Green Level Hospital (Project ID#J-12029-21), by relocating 40 AC beds from DRAH. As approved, the first year after project completion for Duke Green Level hospital was supposed to be FY2027. However, Duke Raleigh hospital states that Duke Green Level hospital will not be operational until FY2029. See page 28 of this application. Therefore the 40 AC beds that were approved to be relocated from DRAH to the separately licensed Duke Green Level hospital will remain as licensed AC beds with DRAH through the third project year (FY2028) of this proposed project.

Note: the proposed 41 AC beds are included in the AC bed total starting in FY2026.

As shown in the table above, the applicant projects DRAH will have a utilization rate of 73.2% in the third year of operation (FY2028) following project completion which exceeds the required 71.4% performance standard.

Projected utilization is reasonable and adequately supported based on the application, exhibits to the application, written comments, responses to comments, remarks made at 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:

- There is a need determination in the 2023 SMFP for 44 acute care beds in the Wake County acute care bed service area.
- The applicant relies on its historical utilization in projecting future utilization.
- The applicant projects growth rate assumption of 3.4% for inpatient days of care based on the CAGR for 2019-2023 which is reasonable, and conservative based on the historical analysis of days of care at DRAH for various periods of time both including and not including years impacted by the COVID-19 pandemic. The CAGR of 3.4% is the lowest CAGR for historical growth of inpatient days of care for the various time periods analyzed by the applicant as presented in full on page 103 of the application.
- Inpatient (IP) days are based on the projected discharges, average daily census (ADC), and the average length of stay (ALOS).
- The applicant bases the projected ALOS of 5.3 on the four-year weighted ALOS during FY2020-FY2023. The applicant notes that the ALOS at DRAH increased from 5.0 in

FY2019 to 5.8 in FY2023 which was attributed several factors including increased scope of specialty services and many procedures that were previously inpatient (ex. knee replacement) are now performed on an outpatient basis. The project analyst notes that FY2023 data is annualized based on eleven months of data (July-May).

- Projected population growth in the area.
- Duke Health’s strategic growth and historical growth of inpatient volumes at Duke Raleigh Hospital.
- The applicant’s projected utilization for all the acute care beds (existing, approved and proposed) meets the performance standard promulgated in 10A NCAC 14C .3803.

Access to Medically Underserved Groups

In Section C.6, page 50, the applicant states,

“All individuals including low-income persons, racial and ethnic minorities, women, persons with disabilities, persons 65 and older, Medicare beneficiaries, Medicaid recipients, and other underserved groups, will have access to DRAH, as clinically appropriate. DUHS does not and will not discriminate based on race, ethnicity, age, gender, or disability.”

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	14.7%
Racial and ethnic minorities	40.0%
Women	52.3%
Persons with Disabilities*	na
The elderly	60.4%
Medicare beneficiaries	60.4%
Medicaid recipients	8.7%

Source: Table on page 51 of the application.

*DUHS does not maintain data regarding the number of disabled persons its serves.

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
- Written comments
- Remarks made at the public hearing
- Responses to comments

- Information publicly available during the review and used by the Agency

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

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

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

The applicant proposes to develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

The following table show the existing and approved acute care beds for the UNC Health System in Wake County.

The project analyst notes that in the 2023 SMFP neonatal intensive care unit (NICU) beds have been removed from the acute care bed need methodology. Therefore, for this review, the number of acute care beds at each hospital which are designated as NICU beds are identified and “backed out” of the total AC bed count.

Two hospitals operate under the UNC REX hospital license: UNC REX Hospital and UNC REX Holly Springs Hospital. UNC REX Hospital has 21 NICU beds. UNC REX Holly Springs has no NICU beds.

UNC Health System: Existing and Approved AC Beds

	Licensed Acute Care Beds	CON Approved Projects	Total All AC Beds	NICU Beds	Total AC Beds minus NICU Beds
UNC REX Hospital	439	18	457	-21	436
UNC REX Holly Springs Hospital	50	0	50	0	50
Total: UNC REX Health System*	489	18	507	-21	486

Source: Table 5A, 2023 SMFP, pages 42-43; 2023 Hospital License Renewal Applications (LRAs); and project approval data. The 2023 Hospital LRA is for the period of 10/1/2021 to 9/30/2022.

*UNC REX Health System has two hospitals operating under the same license. UNC REX Hospital was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12258-22).

UNC Health System: Existing, Approved and Proposed AC Beds

	Total All AC Beds (Existing and Approved)	NICU Beds	Total AC Beds minus NICU Beds	Proposed AC Beds	Total AC Beds (Proposed, Approved and Existing)
UNC REX Hospital	457	21	436	44	480
UNC REX Holly Springs Hospital	50	0	50	0	50
Total: UNC REX Health System*	507	21	486	44	530

Source: Table 5A, 2023 SMFP, pages 42-43; 2023 Hospital License Renewal Applications (LRAs); and project approval data. The 2023 Hospital LRA is for the period of 10/1/2021 to 9/30/2022.

*UNC REX Health System has two hospitals operating under the same license. UNC REX Hospital was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12258-22).

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 Wake County as its own acute care bed service area. UNC REX hospital is in Wake County. Thus, the service area for this facility is Wake 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 care bed services at UNC REX Hospital Main Campus.

UNC REX Hospital Main Campus: Acute Care Beds

County	Historical (7/1/2021 to 6/30/2022)		Third Full FY of Operation following Project Completion (7/1/2027 to 6/30/2028)	
	Patients	% of Total	Patients	% of Total
Wake	16,808	66.4%	19,973	66.4%
Johnston	1,724	6.8%	2,049	6.8%
Sampson	862	3.4%	1,024	3.4%
Franklin	841	3.3%	999	3.3%
Harnett	665	2.6%	790	2.6%
Wayne	625	2.5%	743	2.5%
Nash	498	2.0%	592	2.0%
Wilson	486	1.9%	578	1.9%
Other*	2,798	11.1%	3,325	11.1%
Total	25,307	100.0%	30,072	100.0%

Source: Tables on pages 36 and 38 of the application.

*Other- The applicant provides the NC counties that represented in a footnote at the bottom of each table found on pages 36 and 38 of the application. Other also includes other states.

In Section C, page 37, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported because they are based on the historical [SFY 2022] patient origin for acute care bed services

at UNC REX Hospital and the proposed project is not expected to result in any change in patient origin.

Analysis of Need

In Section C, pages 40-55, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The dynamic population growth in the region served by Wake County providers, including the growth in the population over age 65 (pages 42-45).
- The need for additional capacity in Central Wake County (pages 45-48).
- The need for additional capacity at UNC Health REX Hospital (pages 49-55).

The information is reasonable and adequately supported based on the application, exhibits to the application, written comments, responses to comments, remarks made at 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:

- There is a need determination for 44 acute care beds in the Wake County acute care service area in the 2023 SMFP. The applicant is applying to develop 44 acute care beds at UNC REX Hospital-Main Campus in Wake County in accordance with the need determination.
- The applicant uses clearly cited, reasonable, and verifiable historical and demographical data to make the assumptions regarding identifying the population to be served.
- The applicant uses a reasonable methodology and reasonable assumptions to demonstrate the need the population projected to be served has for the proposed acute care services.
- The applicant demonstrates the need for the proposed additional 44 acute care bed capacity at UNC REX Hospital-Main Campus.

Projected Utilization

In Section Q Forms C.1a and C.1b, the applicant provides historical, interim and projected utilization for its acute care beds at both UNC REX Hospital Main Campus and UNC REX Hospital (both Main Campus and Holly Springs Campus), as illustrated in the following tables.

UNC REX Hospital Main Campus: Historical and Interim Acute Care Bed Utilization

	Last Full FY2022	Interim FY2023	Interim FY2024	Interim FY2025
Total # of Beds*	418	418	418	418
# of Discharges	25,307	26,718	26,696	27,504
# of Patient Days	125,881	135,096	135,083	139,169
Average Length of Stay	5.0	5.1	5.1	5.1

Might not foot due to rounding.

Note: FY is 7/1/___ to 6/30/___.

*The 418 AC beds reflects the 439 existing and licensed AC beds minus the 21 NICU AC beds (439-21 = 418). The project analyst notes that UNC REX Hospital was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12258-22) however, the applicant does not project those 18 new AC beds to be operational until FY2026, the first project year of this proposed project.

UNC REX Hospital Main Campus: Projected Acute Care Bed Utilization

	1 st FY2026	2 nd FY2027	3 rd FY2028
Total # of Beds*	480	480	480
# of Discharges	28,335	29,191	30,072
# of Patient Days	143,376	147,706	152,164
Average Length of Stay	5.1	5.1	5.1

Might not foot due to rounding.

Note: FY is 7/1/___ to 6/30/___.

* The 480 AC beds include the existing 418 non-NICU AC beds at UNC REX Hospital plus the approved 18 new AC beds (See Project ID#J-12258-22) plus the 44 AC beds proposed for this project. (418 + 18 + 44 = 480).

UNC REX- Both Campuses

UNC REX Hospital: All Campuses: Historical and Interim Acute Care Bed Utilization

	Last Full FY2022	Interim FY2023	Interim FY2024	Interim FY2025
Total # of Beds*	468	468	468	468
# of Discharges	26,327	29,063	30,542	31,533
# of Patient Days	128,863	142,165	146,660	151,296
Average Length of Stay	4.9	4.9	4.8	4.8

Might not foot due to rounding.

Note: FY is 7/1/___ to 6/30/___.

*The 468 AC beds reflects the 418 existing and licensed non-NICU AC beds at UNC REX Hospital and the 50 non-NICU AC beds at UNC REX Holly Springs Hospital. Both hospitals operate under the UNC REX hospital license. The project analyst notes that UNC REX Hospital was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12258-22) however, the applicant does not project those 18 new AC beds to be operational until FY2026, the first project year of this proposed project.

UNC REX Hospital: All Campuses: Projected Acute Care Bed Utilization

	1st FY2026	2nd FY2027	3rd FY2028
Total # of Beds	530	530	530
# of Discharges	32,556	33,612	34,703
# of Patient Days	156,080	161,014	166,105
Average Length of Stay	4.8	4.8	4.8

Might not foot due to rounding.

Note: FY is 7/1/___ to 6/30/___.

* The 530 AC beds include the existing 468 non-NICU AC beds operating under the UNC REX hospital license plus the approved 18 new AC beds (See Project ID#J-12258-22) plus the 44 AC beds proposed for this project. (468 + 18 + 44 = 530).

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

UNC REX Hospital

UNC REX operates on the State Fiscal Year (SFY) which is July 1st thru June 30th.

The first three project years are SFY2026, SFY2027 and SFY2028.

There are two hospitals on the UNC REX hospital license: UNC REX Hospital (439 beds) and UNC REX Holly Springs Hospital (50 beds).

UNC REX Holly Springs Hospital started offering service in November 2021.

Step #1: UNC REX Hospital: Historical Days of Care: The applicant provided the historical patient days of care for UNC REX Hospital for SFY2019 to SFY2023. SFY2023 is based on annualized data for 10 months (July 2022 through April 2023). The CAGR for this period was 6.3%.

Step #2: Projected Days of Care for UNC REX-Main. The applicant projected patient days of care for SFY2024 through SFY2028 (the 3rd Project Year) by growing historical utilization at 3.2% which is approximately half of the CAGR identified in Step #1.

UNC REX Holly Springs Hospital

Step #3: The applicant identified the number of acute care days served by UNC REX Hospital for the years SFY2019 – SFY2023 (annualized) that would have been appropriate for UNC REX Holly Springs Hospital. The CAGR for this period was 9.5%.

Step #4: UNC REX Holly Springs Hospital: Project the appropriate days of care by growing historic utilization at 4.8% which is approximately half of the CAGR identified in Step #3.

Step #5: The applicant only projects 75% of the projected patient days from Step #4 will be served (or shift from UNC REX Hospital) by UNC REX Holly Springs Hospital.

Step #6: The applicant calculates projected utilization (occupancy) for UNC REX Holly Springs Hospital and UNC REX Hospital as shown in the following tables.

Projected Occupancy: UNC REX and UNC REX Holly Springs Individually and Combined.

Applicant Hospital- required occupancy.

Pursuant to the performance standard promulgated in 10A NCAC 14C .3803 (3) the applicant must “*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.*”

The “*applicant hospital*” is defined as “*the hospital where the applicant proposes to develop the new acute care beds and includes all the campuses on one license.*” See 10A NCAC 14C .3801 (1).

The applicant proposes to develop the new acute care beds at UNC REX Hospital. Thus, the “*applicant hospital*” includes both UNC REX Hospital and UNC REX Holly Springs hospital as both campuses are on the same license.

The applicant hospital for this proposed project is UNC REX Hospital and UNC REX Holly Springs hospital. The ADC for DRAH in the third project year (SFY2028) is 455. Pursuant to 10A NCAC 14C .3801 (10)(b) the target percentage occupancy is 78.0%. As shown in the tables below, the projected occupancy rate in the third full fiscal year for the combined UNC REX Hospital and UNC REX Holly Springs hospital is 85.9% which exceeds the required target percentage occupancy rate of 71.4%.

UNC Hospital System- required occupancy

UNC REX Hospital and UNC REX Holly Springs hospitals are the only hospital in the UNC Hospital System in Wake County. Therefore, the projected occupancy rate in the third full fiscal year for the combined UNC REX Hospital and UNC REX Holly Springs hospital is 85.9% which exceeds the required target percentage occupancy rate of 71.4%.

UNC REX Hospital: Projected Occupancy

	Interim SFY2023	Interim SFY2024	Interim SFY2025*	OY1 SFY2026	OY2 SFY2027	OY3 SFY2028
# of Beds	418	418	418	480	480	480
Acute Days of Care	135,096	135,083	139,169	143,376	147,706	152,164
Discharges	26,718	26,696	27,504	28,335	29,191	30,072
ALOS	5.1	5.1	5.1	5.1	5.1	5.1
ADC	370	370	381	393	405	417
Occupancy Rate	88.5%	88.5%	91.2%	81.8%	84.3%	86.9%
Target Occupancy Rate Per Performance Standard Rule						78.0%

Might not foot due to rounding.

Average Daily Census (ADC) = Days of Care/365

Occupancy Rate is ADC/# of Beds

UNC REX Holly Springs Hospital: Projected Occupancy

	Interim SFY2023	Interim SFY2024	Interim SFY2025	OY1 SFY2026	OY2 SFY2027	OY3 SFY2028
# of Beds	50	50	50	50	50	50
Acute Days of Care	7,069	11,577	12,127	12,704	13,308	13,941
ADC	19	32	33	35	36	38
Occupancy Rate	38.7%	63.4%	66.5%	69.6%	72.9%	76.4%

Might not foot due to rounding.

Average Daily Census (ADC) = Days of Care/365

Occupancy Rate is ADC/# of Beds

UNC REX Health System [Does NOT include either Neonatal Beds or volume]

Combined UNC REX Hospital and UNC REX Holly Springs Hospital: Projected Occupancy

	Interim SFY2023	Interim SFY2024	Interim SFY2025	OY1 SFY2026*	OY2 SFY2027	OY3 SFY2028
# of Beds	468	468	468	530	530	530
# of Discharges	29,063	30,542	31,533	32,556	33,612	34,703
ALOS	4.9	4.8	4.8	4.8	4.8	4.8
Acute Days of Care	142,165	146,660	151,296	156,080	161,014	166,105
ADC	389	402	415	428	441	455
Occupancy Rate	83.2%	85.9%	88.6%	80.7%	83.2%	85.9%
Target Occupancy Rate Per Performance Standard RULE	75.2%	78.0%	78.0%	78.0%	78.0%	78.0%

Might not foot due to rounding.

Source: Section Q, Form C, Table 3 and Form C.1b

Average Daily Census (ADC) = Days of Care/365

Occupancy Rate is ADC/# of Beds

* The 530 AC beds include the existing 468 non-NICU AC beds operating under the UNC REX hospital license plus the approved 18 new AC beds (See Project ID#J-12258-22) plus the 44 AC beds proposed for this project. (468 + 18 + 44 = 530).

Projected utilization is reasonable and adequately supported based on the application, exhibits to the application, written comments, responses to comments, remarks made at 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:

- There is a need determination in the 2023 SMFP for 44 acute care beds in the Wake County acute care bed service area.
- The applicant relies on its historical utilization in projecting future utilization.
- The applicant calculated the historical CAGR for patient days of care at UNC REX Hospital for SFY2019 to SFY2023. The CAGR for this period was 6.3%. The applicant then projected patient days of care for SFY2024 through SFY2028 (the 3rd Project Year) by conservatively growing historical utilization at 3.2% which is approximately half of the historical CAGR of 6.3%.
- The applicant used appropriate days of care for UNC REX Holly Springs Hospital, based on service area, from historic days of care provided by UNC REX Holly Springs Hospital. The applicant identified the number of acute care days served by UNC REX Hospital for the years SFY2019 – SFY2023 (annualized) that would have been appropriate for UNC REX Holly Springs Hospital. The CAGR for this period was 9.5%. The applicant then projected days of care for UNC REX Holly Springs Hospital by growing historic utilization at 4.8% which is approximately half of the historical CAGR of 9.5%.
- In addition, the applicant only projects 75% of the projected patient days of care will be served (or shift from UNC REX Hospital) by UNC REX Holly Springs Hospital.
- The applicant’s projected utilization for all the acute care beds (existing, approved and proposed) meets the performance standard promulgated in 10A NCAC 14C .3803.

Access to Medically Underserved Groups

In Section C.6, page 62, the applicant states,

“UNC Health REX prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability, or the patient’s ability to pay. ... As stated in UNC Health REX’s Patient Rights and Responsibilities Policy, patients have the right to receive ‘care that is free of discrimination’ and ‘medically necessary treatment regardless of [their] ability to pay.’”

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	30.0%
Women	58.5%
Persons with Disabilities*	na
The elderly	32.6%
Medicare beneficiaries	42.8%
Medicaid recipients	8.9%

Source: Table on page 67 of the application.

*UNC REX does not maintain data that includes the number of low income or disabled persons it serves.

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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

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

Project ID #J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

The applicant proposes to develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

The following table show the existing and approved acute care beds for the WakeMed Health System in Wake County.

The project analyst notes that in the 2023 SMFP neonatal intensive care unit (NICU) beds have been removed from the acute care bed need methodology. Therefore, for this review, the number of acute care beds at each hospital which are designated as NICU beds are identified and “backed out” of the total AC bed count.

WakeMed Cary is part of the WakeMed Health System. With respect to AC beds the WakeMed Health System is comprised of four existing or approved hospitals operating under two separate licenses. The three existing hospitals are WakeMed Cary, WakeMed Raleigh, WakeMed North. WakeMed Garner is approved but not yet developed. WakeMed Cary operates under its own license. WakeMed Raleigh, WakeMed North and WakeMed Garner operate under the WakeMed Raleigh license (hereinafter referred to as the WakeMed Raleigh license).

WakeMed Raleigh has 48 NICU beds. WakeMed Cary has 8 NICU beds. WakeMed North has 6 NICU beds.

WakeMed Health System: Existing and Approved AC Beds

	Licensed Acute Care Beds	CON Approved Projects	Total All AC Beds	NICU Beds	Total AC Beds minus NICU Beds
WakeMed Raleigh Campus*	567	20	587	48	539
WakeMed Raleigh Campus***		(-22)	(-22)	0	(-22)
Total: WakeMed Raleigh			565	48	517
WakeMed North Hospital**	61	16	77	6	71
WakeMed Garner Hospital		31	31	0	31
WakeMed Cary Hospital	208	0	208	8	200
Total: WakeMed Health System***	836	45	881	62	819

Source: Table 5A, 2023 SMFP, pages 42-43; 2023 Hospital License Renewal Applications (LRAs); and project approval data. The 2023 Hospital LRA is for the period of 10/1/2021 to 9/30/2022.

*WakeMed Raleigh has approval to develop 20 additional AC beds per Project ID# J-10165-13 (reconvert 20 nursing facility beds to acute care beds). A cost overrun for Project J-10165-13 was approved and a Certificate issued on March 1, 2023 [See Project ID#J-12291-22].

**WakeMed North has approval to develop 16 additional AC beds per Project ID# J-10166-13 (reconvert 16 nursing facility beds to acute care beds). A cost overrun for Project J-10166-13 was approved and a Certificate issued on March 1, 2023 [See Project ID#J-12292-22].

***WakeMed was approved to develop a new acute care hospital with 31 AC beds, WakeMed Garner Hospital, by relocating 22 AC beds from WakeMed Raleigh and developing 9 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12264-22).

WakeMed Health System: Existing, Approved and Proposed AC Beds

	Total All AC Beds (Existing and Approved)	NICU Beds	Total AC Beds minus NICU Beds	Proposed AC Beds	Total AC Beds (Proposed, Approved and Existing)
WakeMed Raleigh Campus*	565	48	517	0	517
WakeMed North Hospital**	77	6	71	35	106
WakeMed Garner Hospital***	31	0	31	0	31
WakeMed Cary Hospital	208	8	200	9	209
Total: WakeMed Health System***	881	62	819	44	863

Source: Table 5A, 2023 SMFP, pages 42-43; 2023 Hospital License Renewal Applications (LRAs); and project approval data. The 2023 Hospital LRA is for the period of 10/1/2021 to 9/30/2022.

*WakeMed Raleigh has approval to develop 20 additional AC beds per Project ID# J-10165-13 (reconvert 20 nursing facility beds to acute care beds). A cost overrun for Project J-10165-13 was approved and a Certificate issued on March 1, 2023 [See Project ID#J-12291-22].

**WakeMed North has approval to develop 16 additional AC beds per Project ID# J-10166-13 (reconvert 16 nursing facility beds to acute care beds). A cost overrun for Project J-10166-13 was approved and a Certificate issued on March 1, 2023 [See Project ID#J-12292-22].

***WakeMed was approved to develop a new acute care hospital with 31 AC beds, WakeMed Garner Hospital, by relocating 22 AC beds from WakeMed Raleigh and developing 9 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12264-22).

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 Wake County as its own acute care bed service area. WakeMed Cary hospital is in Wake County. Thus, the service area for this facility is Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrate historical and projected patient origin for acute care bed services at WakeMed Cary Hospital.

WakeMed Cary Hospital: Acute Care Beds

County or other geographic area such as ZIP Code	Historical (10/1/2021 to 9/30/2022)		Third Full FY of Operation following Project Completion (10/1/2027 to 9/30/2028)	
	Patients	% of Total	Patients	% of Total
27526-Fuquay Varina	1,250	9.6%	1,217	10.1%
27511-Cary	1,032	8.0%	1,173	9.7%
27502-Apex	1,002	7.7%	1,022	8.5%
27513-Cary	851	6.6%	917	7.6%
27540-Holly Springs	636	4.9%	522	4.3%
27519-Cary	745	5.7%	841	7.0%
27539-Apex	519	4.0%	607	5.0%
27518-Cary	575	4.4%	732	6.1%
27560-Morrisville	476	3.7%	555	4.6%
27606-Raleigh	490	3.8%	498	4.1%
27603-Raleigh	504	3.9%	492	4.1%
27523-Apex	415	3.2%	430	3.6%
27529-Garner	359	2.8%	168	1.4%
27501-Angier	263	2.0%	248	2.1%
27592-Willow Spring	234	1.8%	120	1.0%
27610-Raleigh	225	1.7%	171	1.4%
27330-Sanford	167	1.3%	205	1.7%
27520-Clayton	132	1.0%	76	0.6%
27562-New Hill	145	1.1%	122	1.0%
27546-Lillington	133	1.0%	115	1.0%
Remaining Wake County ZIPs	2,607	20.1%	1,670	13.9%
Other	212	1.6%	136	1.1%
Total	12,972	100.0%	12,036	100.0%

Source: Tables on pages 37 and 40 of the application.

*Other- Includes all other North Carolina ZIP codes, counties, and other states.

In Section C, page 39, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported because they are based on the historical [FFY 2022] patient origin for WakeMed Cary.

Analysis of Need

In Section C, pages 43-56, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- SMFP Need for 44 AC beds in the Wake County Acute Care Bed Service Area (See page 44).
- Deficit of AC beds in the WakeMed System (See pages 44-45).
- Increased utilization of AC beds, emergency department, trauma volumes and observation beds at WakeMed Cary (See pages 45-52).
- Population growth and aging of the population in the WakeMed Cary proposed service area (See pages 53-56).

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

- The 2023 SMFP contains a need determination for 44 acute care beds in Wake County.
- The applicant uses reliable data to demonstrate the projected population growth and aging in the service area.
- The applicant provides reasonable and adequately supported data to support the need for additional acute care beds at WakeMed Cary in Wake County.

Projected Utilization

In Section Q, Forms C.1a-C.1b, pages 145-146 and 149-150, the applicant provides historical, interim and projected utilization for acute care beds for both the WakeMed Health System (WakeMed Cary, WakeMed North, WakeMed Raleigh and WakeMed Garner) and WakeMed Cary, as illustrated in the following tables.

WakeMed Cary

WakeMed Cary Acute Care Beds: Historic and Interim

	Historical	Historical (Annualized)*	Interim	Interim
	10/1/2021- 9/30/2022	10/1/2022- 9/30/2023	10/1/2023- 9/30/2024	10/1/2024- 9/30/2025
ACUTE Care Beds				
# of Beds	200	200	200	200
# of Discharges	12,972	12,932	12,884	12,967
ALOS	4.37	4.72	4.72	4.72
# of Patient Days	56,643	61,077	60,855	61,245

Might not foot due to rounding.

*Annualized based on internal data through April.

WakeMed Cary Acute Care Beds: Projected

	1 st FY	2 nd FY	3 rd FY
	10/1/2025-9/30/2026	10/1/2026-9/30/2027	10/1/2027-9/30/2028
ACUTE Care Beds			
# of Beds	209	209	209
# of Discharges	13,103	12,041	12,036
ALOS	4.72	4.72	4.72
# of Patient Days	61,889	56,869	56,846

Might not foot due to rounding.

Source: Form C.1b, page 150 of the application and Table 16 in Section Q, page 167 of the application.

WakeMed Health System

WakeMed Health System Acute Care Beds: Historic and Interim

	Historical	Historical (Annualized)*	Interim	Interim
	10/1/2021- 9/30/2022	10/1/2022- 9/30/2023	10/1/2023- 9/30/2024	10/1/2024- 9/30/2025
ACUTE Care Beds				
# of Beds**	774	794	810	810
# of Discharges	46,709	46,643	46,995	47,579
ALOS	5.00	5.02	5.2	5.2
# of Patient Days	234,558	241,404	243,470	246,486

Source: Form C.1a, page 164 and Table 16 in Section Q, page 167 of the application.

Might not foot due to rounding.

*Annualized based on internal data through April.

**For FFY 2023 the number of beds includes the 20 AC beds approved for WakeMed Raleigh Campus (Project ID# J-10165-13) and for FFY2023 the number of beds includes the 16 AC beds approved for WakeMed North (Project ID#J-10166-13).

WakeMed Health System Acute Care Beds: Projected

	1 st FY	2 nd FY	3 RD FY
	10/1/2025-9/30/2026	10/1/2026-9/30/2027	10/1/2027-9/30/2028
ACUTE Care Beds			
# of Beds	819*	828*	863*
# of Discharges	48,225	49,756	53,541
ALOS	5.2	5.1	4.8
# of Patient Days	249,794	253,704	255,565

Source: Source: Form C.1b, page 165 of the application and Table 16 in Section Q, page 167 of the application.

Might not foot due to rounding.

*For FFY 2026 the number of beds is increased by 9 to include the 9 new AC beds proposed for WakeMed Cary (Project ID# J-12418-23) and for FFY2027 the number of beds includes the 9 new AC beds approved for WakeMed Garner (Project ID# J-12264-22) and for FFY 2028 the number of beds is increased by 35 to include the 35 new AC beds proposed for WakeMed North (Project ID# J-12419-23).

In Section Q, WakeMed Cary Need and Utilization Methodology, pages 152-169, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Background

- The WakeMed Health System has four acute care hospitals (three existing and one approved): WakeMed Raleigh Campus, WakeMed North Hospital; and WakeMed

Cary Hospital are the three existing acute care hospitals and WakeMed Garner is the approved but not yet developed acute care hospital.

- The acute care hospitals in the WakeMed Health System operate under two separate hospital licenses. WakeMed Raleigh Campus, WakeMed North Hospital and WakeMed Garner operate under one license and WakeMed Cary Hospital operates under a separate license.

Forecast Need and Acute Non-Neonatal Bed Utilization

- Step #1) Define WakeMed Care Hospital Service Area (page 153).
- Step #2) Determine Historical Discharges for WakeMed Cary Hospital from Proposed WakeMed Cary Service Area (page 154).
- Step #3) Determine WakeMed Cary's Service Area Population by Age Group (pages 155-156).
- Step #4) Calculate WakeMed Cary Proposed Service Area Population Growth Rate by Age Group (page 157).
- Step #5) Determine Historical Average Percent of Discharges from WakeMed Cary's Service Area by Age Group for all WakeMed Hospitals (page 158).
- Step #6) Calculate WakeMed Cary's Service Area Weighted Population Growth (CAGR) (page 159).
- Step #7) Calculate Projected WakeMed Cary Discharges from Proposed Service Area (pages 160-161).
- Step #8) Subtract WakeMed Cary Patient Shift to WakeMed Garner ((page 162).
- Step #9) Project Discharges from Other Areas (In-migration) to WakeMed Cary (page 163).
- Step #10) Convert WakeMed Cary Projected Discharges to Patient Days (page 164).
- Step #11) Add Emergency Department Boarding Days to WakeMed Cary Total Patient Days (page 165).
- Step #12) Calculate WakeMed Cary Utilization and Percent Occupancy page 166).
- Step #13) Calculate WM Systemwide Utilization (pages 166-168).

Forecast WakeMed Cary Observation Beds

- Step #14) Forecast Observation Beds (page 169).

Applicant Hospital- required occupancy.

Pursuant to the performance standard promulgated in 10A NCAC 14C .3803 (3) the applicant must “*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.*”

The applicant hospital for this proposed project is just WakeMed Cary. WakeMed Cary is the only hospital on the WakeMed Cary hospital license. The ADC for WakeMed Cary in the third project year (FY2028) is 155. Pursuant to 10A NCAC 14C .3801 (10)(b) the target percentage occupancy is 71.4%. As shown in the table below, the projected occupancy rate in

the third full fiscal year for WakeMed Cary is 74.3% which exceeds the required target percentage occupancy rate of 71.4%.

WakeMed Cary Acute Care Beds: Projected

	1st FY	2nd FY	3rdFY
	10/1/2025-9/30/2026	10/1/2026-9/30/2027	10/1/2027-9/30/2028
ACUTE Care Beds			
# of Beds	209	209	209
# of Discharges*	13,103	12,041	12,036
# of Patient Days	61,889	56,869	56,846
ALOS	4.72	4.72	4.72
ADC	170	156	155
Occupancy Rate	81.1%	74.5%	74.3%
Target Occupancy Rate per Performance Standard Rule			71.4%

Source: Form C.1b, page 150 of the application and Table 16 in Section Q, page 167 of the application.

Hospital System- required occupancy.

Pursuant to the performance standard promulgated in 10A NCAC 14C .3803 (5) the applicant must “*project an 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.*”

The hospital system for this proposed project is the WakeMed hospital system. The WakeMed hospital system includes four hospitals: WakeMed Cary, WakeMed Raleigh, WakeMed North and WakeMed Garner. WakeMed Cary is on one hospital license. WakeMed Raleigh, WakeMed North and WakeMed Garner are all on the WakeMed Raleigh hospital license.

The applicant provides data and projected utilization and occupancy for the WakeMed Hospital System in Form C.1a, page 164 and in Section Q, Table 16, page 167.

However, the projected utilization and occupancy for WakeMed Raleigh is incorrect. Thus, the projected utilization and occupancy for the WakeMed Hospital System is incorrect.

Projected utilization for the WakeMed Hospital System is a compilation of the projected utilization of WakeMed Cary, WakeMed North, WakeMed Garner and WakeMed Raleigh. The applicant stated in Section Q, page 152 of the application that the terms patients and discharges are used interchangeably in the application. In Section Q, Step 13, pages 166-167, the applicant, in calculating projected utilization for WakeMed Raleigh (see Table 16, page 167), did not account for the projected “shift” of patients from WakeMed Raleigh to WakeMed Garner (Project ID# J-12264-22) which commence in FY2027. This reduces projected discharges at WakeMed Raleigh starting in FY2027 through the third project year of FY2028. Since projected utilization at WakeMed Raleigh is included in projected utilization for the WakeMed Hospital System the Project Analyst recalculated projected utilization with the “shift” of patients from WakeMed Raleigh to WakeMed Garner for both WakeMed Raleigh and WakeMed Hospital System.

Therefore, the projected “shift” of patients starting in FY2028 from WakeMed Raleigh to WakeMed Garner (Project ID# J-12264-22) needs to be reflected as a reduction of projected discharges for WakeMed Raleigh for FY2027 through the third project year of FY2028. In Section Q, Step 8, page 177, the applicant did partially address this “shift” as it related solely to patients from the 27610 ZIP Code in calculating projected utilization for WakeMed North. The Project Analyst made this correction which is reflected in the tables. However, to be conservative and to make certain that the projected “shift” of patients from WakeMed Raleigh to WakeMed Garner was accurately accounted for the Project Analyst used the entire projected “shift” for each project year, including any projected patients from the ZIP code 27610, in calculating projected utilization for the first three project years.

As shown in the table below, the applicant projected occupancy rate in the third full fiscal year for WakeMed hospital system as 78.01% which meets the required target percentage occupancy rate of 78.0%.

WakeMed Hospital System Acute Care Beds: Projected

	1st FY	2nd FY	3rdFY
	10/1/2025-9/30/2026	10/1/2026-9/30/2027	10/1/2027-9/30/2028*
ACUTE Care Beds			
# of Beds	819	828	863
# of Discharges*	48,225	48,318	49,921
ALOS	5.2	5.1	4.92
# of Patient Days	249,794	245,331	245,739
ADC	684.4	672.14	673.26
Occupancy Rate	83.6%	81.2%	78.01%
% Occupancy Required by Performance Standard Rule**			78.0%

Might not foot due to rounding.

Source: Form C.1b, page 150 of the application and Table 16 in Section Q, page 167 of the application.

*Backing out all of Raleigh to Garner (no “net” of ZIP 27610)

**The ADC for WakeMed hospital system in the third project year (FY2028) is greater than 400. Pursuant to 10A NCAC 14C .3801 (10)(d) the target percentage occupancy is 78.0%.

The tables below show projected utilization for each of the four hospitals comprising the WakeMed Hospital System including the “shift” of patients from WakeMed Raleigh to WakeMed Garner which were part of the approved WakeMed Garner application. The data from the four tables below was compiled to complete the table above showing projected utilization for the WakeMed Hospital System.

WakeMed Cary Acute Care Beds: Projected

	1st FY	2nd FY	3rdFY
	10/1/2025-9/30/2026	10/1/2026-9/30/2027	10/1/2027-9/30/2028
ACUTE Care Beds			
# of Beds	209	209	209
# of Discharges*	13,103	12,041	12,036
# of Patient Days	61,889	56,869	56,846
ALOS	4.72	4.72	4.72
ADC	170	156	155
Occupancy Rate	81.1%	74.5%	74.3%
% Occupancy Required by Performance Standard Rule			71.4%

Might not foot due to rounding.

Source: Form C.1b, page 150 of the application and Table 16 in Section Q, page 167 of the application.

WakeMed North Acute Care Beds: Projected

	1st FY	2nd FY	3rdFY
	10/1/2025-9/30/2026	10/1/2026-9/30/2027	10/1/2027-9/30/2028
ACUTE Care Beds			
# of Beds	71	71	106
# of Discharges*	5,573	5,664	8,647
ALOS	3.16	3.16	3.16
# of Patient Days	17,619	17,906	27,336
ADC	48.3	49.1	74.7
Occupancy Rate	68.0%	69.1%	70.5%
% Occupancy Required by Performance Standard Rule			66.7%

Might not foot due to rounding.

Source: Form C.1b, page 150 of the application and Table 16 in Section Q, page 167 of the application.

WakeMed Health Garner Acute Care Beds: Projected

	1st FY	2nd FY	3rdFY
	10/1/2025-9/30/2026	10/1/2026-9/30/2027	10/1/2027-9/30/2028
ACUTE Care Beds			
# of Beds	NA	31	31
# of Discharges*	NA	2,092	2,483
ALOS	NA	3.0	3.0
# of Patient Days	NA	6,275	7,448
ADC	NA	17.2	20.3
Occupancy Rate	NA	55.5%	65.6%
% Occupancy Required by Performance Standard Rule			66.7%

Might not foot due to rounding.

Source: Form C.1b, page 150 of the application and Table 19 in Section Q, page 167 of the application.

WakeMed RALEIGH Acute Care Beds: Projected

	1st FY	2nd FY	3rdFY
	10/1/2025-9/30/2026	10/1/2026-9/30/2027	10/1/2027-9/30/2028
ACUTE Care Beds			
# of Beds	539	517	517
# of Discharges*	29,549	29,959	30,376
Less "Shift" to North	na	na	(1,929)
Less "Shift" to Garner	na	(1,438)	(1,692)
# of Discharges	29,549	28,521	26,755
ALOS	5.76	5.76	5.76
# of Patient Days	170,287	164,281	154,109
ADC	467	450.1	422.2
Occupancy Rate	86.6%	87.0%	81.7%
% Occupancy Required by Performance Standard Rule			78.0%

Might not foot due to rounding.

Source: Form C.1b, page 150 of the application and Table 16 in Section Q, page 167 of the application.

*All of the projected "Shift" from WakeMed Raleigh to WakeMed Garner has been subtracted out.

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

- The applicant proposes to add 9 new AC beds at WakeMed Cary in Wake County and there is a need determination in the 2023 SMFP for 44 AC beds in the Wake County Acute Care Bed Service Area.
- In the 2023 SMFP, the WakeMed Health System shows a projected acute care bed deficit of 57 acute care beds.
- The applicant relies on the historical utilization at WakeMed Cary in projecting future utilization. In addition, the applicant reasonably added emergency department "boarding days" to projected utilization (See Step 11, page 165).
- Increased utilization of AC beds, emergency department, trauma volumes and observation beds at WakeMed Cary. The applicant states that WakeMed Cary became a State-designated Level III Trauma Center in 2019 which is a designation conferred only when the hospital increases the complexity of its specialists.
- Population growth and aging of the population in the WakeMed Cary proposed service area. The applicant calculated a weighted population growth for the primary service area and then, to be conservative, used 25% of that growth calculation to project patients for future years.
- The applicant relied on data from Claritas to demonstrate the projected population growth and aging in the service area.
- The applicant provides reasonable and adequately supported data, and uses reasonable methodologies and assumptions, as well as practical reasons, to demonstrate both the projected utilization and the need for the acute care beds including accounting for the projected "shift" of patients to the approved WakeMed Garner hospital (Project ID# J-12264-22) starting in FY2027.

- The applicant’s projected utilization for all the acute care beds (existing, approved and proposed) at WakeMed Cary exceeds the required performance standard promulgated in 10A NCAC 14C .3803.

Access to Medically Underserved Groups

In Section C.6, page 61, the applicant states,

“WakeMed ensures access to health care services for all patients, regardless of income, payer status, gender, sexual orientation, race, ethnicity, or physical disability.”

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	4.1%
Racial and ethnic minorities	37.5%
Women	62.3%
Persons with Disabilities*	na
The elderly	29.9%
Medicare beneficiaries	44.8%
Medicaid recipients	6.7%

Source: Table on page 72 of the application.

*WakeMed does not track persons with physical and mental disabilities.

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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.

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

Project ID #J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

The applicant proposes to develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

The following tables show the existing and approved acute care beds for the WakeMed Health System in Wake County. The Project Analyst notes that for this review the number of acute care beds which are NICU beds are identified and “backed out” of the total AC bed count as in the 2023 SMFP NICU beds have been removed from the acute care bed need methodology. WakeMed North has 6 NICU beds.

WakeMed Health System: Existing and Approved AC Beds

	Licensed Acute Care Beds	CON Approved Projects	Total All AC Beds	NICU Beds	Total AC Beds minus NICU Beds
WakeMed Raleigh Campus	567	20	587	48	539
WakeMed Raleigh Campus		(-22)	(-22)	0	(-22)
Total: WakeMed Raleigh			565	48	517
WakeMed North Hospital	61	16	77	6	71
WakeMed Garner Hospital		31	31	0	31
WakeMed Cary Hospital	208	0	208	8	200
Total: WakeMed Health System*	836	45	881	62	819

*WakeMed was approved to develop a new acute care hospital with 31 AC beds, WakeMed Garner Hospital, by relocating 22 AC beds from WakeMed Raleigh and also developing 9 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12264-22). In addition, WakeMed Raleigh has approval to develop 20 additional AC beds per Project ID# J-10165-13 (reconvert 20 nursing facility beds to acute care beds) and WakeMed North has approval to develop 16 additional AC beds per Project ID# J-10166-13 (reconvert 16 nursing facility beds to acute care beds).

WakeMed Health System: Existing, Approved and Proposed AC Beds

	Total All AC Beds (Existing and Approved)	NICU Beds	Total AC Beds minus NICU Beds	Proposed AC Beds	Total AC Beds (Proposed, Approved and Existing)
WakeMed Raleigh Campus	565	48	517	0	517
WakeMed North Hospital	77	6	71	35	106
WakeMed Garner Hospital	31	0	31	0	31
WakeMed Cary Hospital	208	8	200	9	209
Total: WakeMed Health System*	881	62	819	44	863

*WakeMed was approved to develop a new acute care hospital with 31 AC beds, WakeMed Garner Hospital, by relocating 22 AC beds from WakeMed Raleigh and also developing 9 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12264-22). In addition, WakeMed Raleigh has approval to develop 20 additional AC beds per Project ID# J-10165-13 (reconvert 20 nursing facility beds to acute care beds) and WakeMed North has approval to develop 16 additional AC beds per Project ID# J-10166-13 (reconvert 16 nursing facility beds to acute care beds).

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 Wake County as its own acute care bed service area. WakeMed Cary hospital is in Wake County. Thus, the service area for this facility is Wake County. Facilities may also serve residents of counties not included in their service area.

The following tables illustrate historical and projected patient origin for acute care bed services at WakeMed North Hospital.

WakeMed North Hospital: Acute Care Beds

County or other geographic area such as ZIP Code	Historical (10/1/2021 to 9/30/2022)		Third Full FY of Operation following Project Completion (10/1/2029 to 9/30/2030)	
	Patients	% of Total	Patients	% of Total
27587-Wake Forest	934	19.4%	1,650	18.4%
27616-Raleigh	390	8.1%	906	10.1%
27614-Raleigh	362	7.5%	681	7.6%
27596-Youngsville	282	5.8%	568	6.3%
27615-Raleigh	292	6.1%	534	6.0%
27525-Franklinton	277	5.7%	414	4.6%
27549-Louisburg	213	4.4%	392	4.4%
27703-Durham	166	3.4%	297	3.3%
27613-Raleigh	142	2.9%	214	2.4%
27597-Zebulon	115	2.4%	488	5.4%
27610-Raleigh	112	2.3%	114	1.3%
27604-Raleigh	116	2.4%	304	3.4%
27545-Knightdale	114	2.4%	226	2.5%
27609-Raleigh	94	1.9%	196	2.2%
27571-Rolesville	91	1.9%	154	1.7%
27591-Wendell	82	1.7%	242	2.7%
27617-Raleigh	87	1.8%	151	1.7%
Remaining Wake County ZIPs	316	6.5%	473	5.3%
Other	641	13.3%	961	10.7%
Total	4,826	100.0%	8,965	100.0%

Source: Tables on pages 42 and 45 of the application.

*Other- Includes all other North Carolina ZIP codes, counties, and other states.

In Section C, page 44, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported because they are based on the historical [FFY 2022] patient origin for WakeMed North.

Analysis of Need

In Section C, pages 47-65, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- SMFP Need for 44 AC beds in the Wake County Acute Care Bed Service Area (See page 48).
- Deficit of AC beds in the WakeMed System (See pages 48-50).
- Increased utilization of AC beds, emergency department and specialized care at WakeMed North (See pages 55-61).
- Population growth and aging of the population in the WakeMed North’s proposed service area (See pages 51-55).
- Need for observation beds at WakeMed North (See pages 62-63).

- Site constraints and construction efficiency at WakeMed North campus (See pages 63-64).
- Statutory limitations of capital expenditures for hospitals not on the “main campus” of a multi-campus hospital (See pages 64-65).

The information is reasonable and adequately supported based on the application, exhibits to the application, written comments, responses to comments, remarks made at 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 2023 SMFP contains a need determination for 44 acute care beds in Wake County.
- The applicant uses reliable data to demonstrate the projected population growth and aging in the service area.
- The applicant provides reasonable and adequately supported data to support the need for additional acute care beds at WakeMed North in Wake County.

Projected Utilization

In Section Q, Forms C.1a-C.1b, pages 161-162 and 164-165, the applicant provides historical, interim and projected utilization for acute care beds for both the overall WakeMed Health System (WakeMed Cary, WakeMed North, WakeMed Raleigh and WakeMed Garner) and WakeMed Cary specifically, as illustrated in the following tables.

WakeMed North Acute Care Beds: Historic and Interim

	Historical	Historical (Annualized)*	Interim
	10/1/2021-9/30/2022	10/1/2022-9/30/2023	10/1/2023-9/30/2024
ACUTE Care Beds			
# of Beds	55	55	55
# of Discharges	4,826	5,361	5,366
ALOS	2.90	3.16	3.16
# of Patient Days	13,988	16,949	16,965

Source: Form C.1a, page 161.

Might not foot due to rounding.

*Annualized based on internal data through April.

WakeMed North Acute Care Beds: Projected

	Interim	Interim	Interim
	10/1/2024-9/30/2025	10/1/2025-9/30/2026	10/1/2026-9/30/2027
ACUTE Care Beds			
# of Beds*	71	71	71
# of Discharges	5,469	5,573	5,664
ALOS	3.16	3.16	3.16
# of Patient Days	17,289	17,619	17,906

Source: Form C.1a, page 161 of the application.

Might not foot due to rounding.

*For FFY2026 the number of beds is increased by 16 to include the 16 AC beds approved for WakeMed North (Project ID #J-10166-13).

WakeMed North Acute Care Beds: Projected

	1 st FY	2 nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds*	106	106	106
# of Discharges	8,647	8,803	8,965
ALOS	3.16	3.16	3.16
# of Patient Days	27,336	27,830	28,343

Source: Form C.1b, page 162 of the application.

Might not foot due to rounding.

*For FFY2028 the number of beds is increased by 35 to include the 35 new AC beds proposed for WakeMed North (Project ID# J-12419-23).

WakeMed Raleigh License (WakeMed Raleigh, WakeMed North, WakeMed Garner) Acute Care Beds: Interim

	Interim	Interim	Interim	Interim
	10/1/2023-9/30/2024	10/1/2024-9/30/2025	10/1/2025-9/30/2026	10/1/2026-9/30/2027
ACUTE Care Beds				
# of Beds*	610	610	610	619
# of Discharges	34,110	34,612	35,122	37,715
ALOS	5.4	5.4	5.4	5.2
# of Patient Days	182,615	185,241	187,906	196,834

Source: Form C.1a, page 161 of the application and Table 19 in Section Q, page 186 of the application.

Might not foot due to rounding.

*For FFY2027 the number of beds is increased by 9 to include the 9 new AC beds approved as part of the WakeMed Garner project (Project ID# J-12264-22).

WakeMed Raleigh License (WakeMed Raleigh, WakeMed North, WakeMed Garner) Acute Care Beds: Projected

	1 st FY	2 nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds*	654	654	654
# of Discharges	41,506	42,480	43,111
ALOS	4.8	4.8	4.8
# of Patient Days	198,719	202,629	205,518

Source: Form C.1b, page 162 of the application and Table 19 in Section Q, page 186 of the application.
 Might not foot due to rounding.

*For FFY2028 the number of beds is increased by 35 to include the 35 new AC beds proposed for WakeMed North (Project ID# J-12419-23).

WakeMed Health System

WakeMed Health System Acute Care Beds: Historic and Interim

	Historical	Historical (Annualized)*	Interim
	10/1/2021-9/30/2022	10/1/2022-9/30/2023	10/1/2023-9/30/2024
ACUTE Care Beds			
# of Beds**	774	794	810
# of Discharges	46,709	46,643	46,995
ALOS	5.02	5.18	5.2
# of Patient Days	234,558	241,404	243,470

Source: Form C.1a, page 164 and Table 19 in Section Q, page 186 of the application.
 Might not foot due to rounding.

*Annualized based on internal data through April.

**For FFY 2023 the number of beds includes the 20 AC beds approved for WakeMed Raleigh Campus (Project ID# J-10165-13) and for FFY2023 the number of beds includes the 16 AC beds approved for WakeMed North (Project ID#J-10166-13).

WakeMed Health System Acute Care Beds: Interim

	Interim	Interim	Interim
	10/1/2024-9/30/2025	10/1/2025-9/30/2026	10/1/2026-9/30/2027
ACUTE Care Beds			
# of Beds*	810	819	828
# of Discharges	47,579	48,225	49,756
ALOS	5.2	5.2	5.1
# of Patient Days	246,486	249,794	253,704

Source: Form C.1a, page 164 of the application and Table 19 in Section Q, page 186 of the application.
 Might not foot due to rounding.

*For FFY 2026 the number of beds is increased by 9 to include the 9 new AC beds proposed for WakeMed Cary (Project ID# J-12418-23) and for FFY2027 the number of beds includes the 9 new AC beds approved for WakeMed Garner (Project ID# J-12264-22).

WakeMed Health System Acute Care Beds: Projected

	1st FY	2nd FY	3rd FY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds*	863	863	863
# of Discharges	53,541	54,521	55,144
ALOS	4.8	4.8	4.8
# of Patient Days	255,565	259,498	262,355

Source: Form C.1b, page 165 of the application and Table 19 in Section Q, page 186 of the application. Might not foot due to rounding.

*For FFY 2028 the number of beds is increased by 35 to include the 35 new AC beds proposed for WakeMed North (Project ID# J-12419-23).

In Section Q, Wake Med North Need and Utilization Methodology, pages 166-189, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Background

- The WakeMed health system has four acute care hospitals (three existing and one approved): WakeMed Raleigh Campus, WakeMed North Hospital; and WakeMed Cary Hospital are the three existing acute care hospitals and WakeMed Garner is the approved but not yet developed acute care hospital.
- The acute care hospitals in the WakeMed Health System operate under two separate hospital licenses. WakeMed Raleigh Campus, WakeMed North Hospital and WakeMed Garner operate under one license and WakeMed Cary Hospital operates under a separate license.

Forecast Need and Acute Non-Neonatal Bed Utilization

- Step #1) Define WakeMed North Acute Care Bed Service Area
- Step #2) Determine Historical Discharges for WakeMed System Hospitals from North PSA
- Step #3) Determine WakeMed North’s Service Area Population by Age Group
- Step #4) Calculate WakeMed North’s Service Area Compound Annual Population Growth Rate by Age Group
- Step #5) Determine Historical Average Percent of Discharges from WakeMed North Service Area by Age Group for all WakeMed Hospitals
- Step #6) Calculate WakeMed North’s Service Area Weighted Population Growth (CAGR)
- Step #7) Calculate Projected Discharges from WakeMed North’s Service Area for all WakeMed Hospitals
- Step #8) Subtract WakeMed North Patient Shift from ZIP Code 27610 to WakeMed Garner per WakeMed Garner CON Application
- Step #9) Project Discharge Shift to WakeMed North from Raleigh Campus
- Step #10) Sum WakeMed North Discharges After Shift from WakeMed Raleigh

- Step #11) Account for Forecast Other WakeMed North Discharges Shifted to WakeMed Garner per WakeMed Garner CON Application
- Step #12) Project In-Migration and Total Discharges for WakeMed North
- Step #13) Convert Projected North Discharges to Patient Days
- Step #14) Add Emergency Department “Boarding” Days to WakeMed North Total Patient Days
- Step #15) Calculate Utilization and Percent Occupancy
- Step #16) Calculate WakeMed Systemwide Acute Care Bed Utilization

Forecast WakeMed North Observation Beds

- Step #17) Forecast Observation Beds
- Step #18) Forecast WakeMed North Observation Beds Needed

Applicant Hospital- required occupancy.

Pursuant to the performance standard promulgated in 10A NCAC 14C .3803 (3) the applicant must “*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.*”

The “*applicant hospital*” is defined as “*the hospital where the applicant proposes to develop the new acute care beds and includes all the campuses on one license.*” See 10A NCAC 14C .3801 (1).

The applicant proposes to develop the new acute care beds at WakeMed North. Thus, the “*applicant hospital*” includes WakeMed North, WakeMed Raleigh and WakeMed Garner as all three hospital campuses are on the same license (also referred to as the Raleigh License).

The applicant provides data and projected utilization and occupancy for the combined hospitals on the Raleigh License and individually for WakeMed North, WakeMed Cary and WakeMed Raleigh in Form C.1b, page 165 of the application and Table 19 in Section Q, page 186 of the application.

However, the projected utilization and occupancy for WakeMed Raleigh is incorrect. WakeMed Raleigh data is a component for the hospitals on the Raleigh License. Thus, the projected utilization and occupancy for the “applicant hospital” is incorrect.

Projected utilization for the WakeMed Raleigh License Hospitals is a compilation of the projected utilization of WakeMed North, WakeMed Garner and WakeMed Raleigh. The applicant stated in Section Q, page 166 of the application that the terms patients and discharges are used interchangeably in the application. In Section Q, Step 16, pages 185-187, the applicant, in calculating projected utilization for WakeMed Raleigh (see Table 19, page 186), did not account for the projected “shift” of patients from WakeMed Raleigh to WakeMed Garner (Project ID# J-12264-22) which commence in FY2027. This reduces projected discharges at WakeMed Raleigh starting in FY2027 through the third project year of FY2030.

Since projected utilization at WakeMed Raleigh is included in both the WakeMed Raleigh License Hospitals and the WakeMed Hospital System the Project Analyst recalculated projected utilization set forth in Section Q, page 186, Table 19 for both WakeMed Raleigh License Hospitals and WakeMed Hospital System.

Therefore, the projected “shift” of patients starting in FY2028 from WakeMed Raleigh to WakeMed Garner (Project ID# J-12264-22) needs to be reflected as a reduction of projected discharges for WakeMed Raleigh for FY2028 through the third project year of FY2030. In Section Q, Step 8, page 177, the applicant did partially address this “shift” as it related solely to patients from the 27610 ZIP Code in calculating projected utilization for WakeMed North. The Project Analyst made this correction which is reflected in the tables. However, to be conservative and to make certain that the projected “shift” of patients from WakeMed Raleigh to WakeMed Garner was accurately accounted for the Project Analyst used the entire projected “shift” for each project year, including any projected patients from the ZIP code 27610, in calculating projected utilization for the first three project years.

The ADC for the three hospital campuses on the WakeMed Raleigh license in the third project year (FY2030) is 563.1 [295,518 patient days / 365 = 563.06 or 563.1]. Pursuant to 10A NCAC 14C .3801 (10)(b) the target percentage occupancy when the ADC is 563.1 is 78.0%. As shown in the table below, the projected occupancy rate in the third full fiscal year (FY2030) for the “applicant hospital” is 86.1% which exceeds the required target percentage occupancy rate of 78.0%.

**WakeMed Raleigh Licenses (WakeMed North, WakeMed Garner and WakeMed Raleigh)
 Acute Care Beds: Projected**

	1st FY	2nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	654	654	654
# of Discharges*	37,885	38,557	39,150
ALOS	4.9	4.9	4.9
# of Patient Days	188,893	191,267	194,152
ADC	517.52	524.02	531.92
Occupancy Rate	79.13%	80.13%	81.33%
% Occupancy Required by Performance Standard Rule			78.0%

Table 19 in Section Q, page 186 of the application.

The tables below show projected utilization for each of the three hospitals comprising the WakeMed Raleigh License Hospitals including the “shift” of patients from WakeMed Raleigh to WakeMed Garner which were part of the approved WakeMed Garner application. The data from the three tables below was compiled to complete the table above showing projected utilization for the WakeMed Raleigh Licenses Hospitals.

WakeMed NORTH Acute Care Beds: Projected

	1 st FY	2 nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	106	106	106
# of Discharges*	8,647	8,803	8,965
ALOS	3.16	3.16	3.16
# of Patient Days	27,336	27,830	28,343
ADC	74.7	76.2	77.7
Occupancy Rate	70.5%	71.9%	73.3%
% Occupancy Required by Performance Standard Rule			78.0%

Source: Table 19 in Section Q, page 186 of the application.

WakeMed Health GARNER Acute Care Beds: Projected

	1 st FY	2 nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	31	31	31
# of Discharges	2,483	2,879	2,919
ALOS	3.0	3.0	3.0
# of Patient Days	7,448	8,637	8,757
ADC	20.3	23.7	24.0
Occupancy Rate	65.6%	76.3%	77.4%
% Occupancy Required by Performance Standard Rule			78.0%

Source: Table 19 in Section Q, page 186 of the application.

WakeMed RALEIGH Acute Care Beds: Projected

	1 st FY	2 nd FY	3rdFY
	10/1/2027-9/30/2028*	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	517	517	517
DISCHARGES	30,376	30,798	31,226
Less "Shift" to North	(1,929)	(1,965)	(2,002)
Less "Shift" to Garner	(1,692)	(1,958)	(1,958)
# of Discharges	26,755	26,875	27,266
ALOS	5.76	5.76	5.76
# of Patient Days	154,109	154,800	157,052
ADC	422.2	424.1	430.3
Occupancy Rate	81.7%	82.03%	83.23%

Source: Table 19 in Section Q, page 186 of the application.

*All of the projected "Shift" from WakeMed Raleigh to WakeMed Garner has been subtracted out.

Hospital System- required occupancy.

Pursuant to the performance standard promulgated in 10A NCAC 14C .3803 (5) the applicant must “*project an 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.*”

The hospital system for this proposed project is the WakeMed hospital system. The WakeMed hospital system includes four hospitals: WakeMed Cary, WakeMed Raleigh, WakeMed North and WakeMed Garner. WakeMed Cary is on one hospital license. WakeMed Raleigh, WakeMed North and WakeMed Garner are all on the WakeMed Raleigh hospital license.

The applicant provides data and projected utilization and occupancy for the WakeMed Hospital System in Form C.1b, page 165 of the application and Table 19 in Section Q, page 186 of the application.

However, the projected utilization and occupancy for WakeMed Raleigh is incorrect. WakeMed Raleigh is part of the WakeMed Hospital System. Thus, the projected utilization and occupancy for the WakeMed Hospital System is incorrect.

Projected utilization for the WakeMed Hospital System is a compilation of the projected utilization of WakeMed Cary, WakeMed North, WakeMed Garner and WakeMed Raleigh. The applicant stated in Section Q, page 166 of the application that the terms patients and discharges are used interchangeably in the application. In Section Q, Step 16, pages 185-187, the applicant, in calculating projected utilization for WakeMed Raleigh (see Table 19, page 186), did not account for the projected “shift” of patients from WakeMed Raleigh to WakeMed Garner (Project ID# J-12264-22) which commence in FY2027. This reduces projected discharges at WakeMed Raleigh starting in FY2027 through the third project year of FY2030. Since projected utilization at WakeMed Raleigh is included in projected utilization for the WakeMed Hospital System the Project Analyst recalculated projected utilization set forth in Section Q, page 186, Table 19 for both WakeMed Raleigh and WakeMed Hospital System.

Therefore, the projected “shift” of patients starting in FY2027 from WakeMed Raleigh to WakeMed Garner (Project ID# J-12264-22) needs to be reflected as a reduction of projected discharges for WakeMed Raleigh for FY2028 through the third project year of FY2030. In Section Q, Step 8, page 177, the applicant did partially address this “shift” as it related solely to patients from the 27610 ZIP Code in calculating projected utilization for WakeMed North. The Project Analyst made this correction which is reflected in the tables. However, to be conservative and to make certain that the projected “shift” of patients from WakeMed Raleigh to WakeMed Garner was accurately accounted for the Project Analyst used the entire projected “shift” for each project year, including any projected patients from the ZIP code 27610, in calculating projected utilization for the first three project years.

The ADC for WakeMed hospital system in the third project year (FY2028) is greater than 400. Pursuant to 10A NCAC 14C .3801 (10)(d) the target percentage occupancy is 78.0%. As shown in the table below, the applicant projected occupancy rate in the third full fiscal year for

WakeMed hospital system as 83.3% which exceeds the required target percentage occupancy rate of 78.0%.

WakeMed Health System Acute Care Beds: Projected

	1st FY	2nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	863	863	863
# of Discharges*	49,921	50,598	51,184
ALOS	4.92	4.92	4.9
# of Patient Days	245,739	248,136	250,989
ADC	673.26	679.8	687.6
Occupancy Rate	78.01%	78.8%	79.7%
% Occupancy Required by Performance Standard Rule			78.0%

Source: Section Q, including page 186, Table 19 of the application including Project Analyst adjustments discussed below.

The tables below show projected utilization for each of the four hospitals comprising the WakeMed Hospital System including the “shift” of patients from WakeMed Raleigh to WakeMed Garner which were part of the approved WakeMed Garner application. The data from the four tables below was compiled to complete the table above showing projected utilization for the WakeMed Hospital System

WakeMed NORTH Acute Care Beds: Projected

	1st FY	2nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	106	106	106
# of Discharges*	8,647	8,803	8,965
ALOS	3.16	3.16	3.16
# of Patient Days	27,336	27,830	28,343
ADC	74.7	76.2	77.7
Occupancy Rate	70.5%	71.9%	73.3%
% Occupancy Required by Performance Standard Rule			78.0%

Source: Table 19 in Section Q, page 186 of the application.

WakeMed Cary Acute Care Beds: Projected

	1 st FY	2 nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	209	209	209
# of Discharges*	12,036	12,041	12,034
# of Patient Days	56,846	56,869	56,837
ALOS	4.72	4.72	4.72
ADC	155	156	156
Occupancy Rate	74.3%	74.5%	74.5%
% Occupancy Required by Performance Standard Rule			71.4%

Source: Table 19 in Section Q, page 186 of the application.

WakeMed Health GARNER Acute Care Beds: Projected

	1 st FY	2 nd FY	3rdFY
	10/1/2027-9/30/2028	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	31	31	31
# of Discharges	2,483	2,879	2,919
ALOS	3.0	3.0	3.0
# of Patient Days	7,448	8,637	8,757
ADC	20.3	23.7	24.0
Occupancy Rate	65.6%	76.3%	77.4%
% Occupancy Required by Performance Standard Rule			78.0%

Source: Table 19 in Section Q, page 186 of the application.

WakeMed RALEIGH Acute Care Beds: Projected

	1 st FY	2 nd FY	3rdFY
	10/1/2027-9/30/2028*	10/1/2028-9/30/2029	10/1/2029-9/30/2030
ACUTE Care Beds			
# of Beds	517	517	517
DISCHARGES	30,376	30,798	31,226
Less "Shift" to North	(1,929)	(1,965)	(2,002)
Less "Shift" to Garner	(1,692)	(1,958)	(1,958)
# of Discharges	26,755	26,875	27,266
ALOS	5.76	5.76	5.76
# of Patient Days	154,109	154,800	157,052
ADC	422.2	424.1	430.3
Occupancy Rate	81.7%	82.03%	83.23%

Source: Table 19 in Section Q, page 186 of the application.

*All of the projected "Shift" from WakeMed Raleigh to WakeMed Garner has been subtracted out.

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

- The applicant proposes to add 35 new AC beds at WakeMed North in Wake County and there is a need determination in the 2023 SMFP or 44 AC beds in the Wake County Acute Care Bed Service Area
- In the 2023 SMFP, the WakeMed Health System shows a projected acute care bed deficit of 57 acute care beds.
- The applicant relies on the historical utilization at WakeMed North in projecting future utilization. In addition, the applicant reasonably added emergency department “boarding days” to projected utilization (See Step 14, page 184).
- Population growth and aging of the population in the WakeMed North proposed service area. The applicant calculated a weighted population growth for the primary service area.
- The applicant relied on data from Claritas to demonstrate the projected population growth and aging in the service area.
- The applicant provides reasonable and adequately supported data, and uses reasonable methodologies and assumptions, as well as practical reasons, to demonstrate both the projected utilization and the need for the acute care beds including accounting for the projected “shift” of patients to the approved WakeMed Garner hospital (Project ID# J-12264-22) starting in FY2027.
- The applicant’s projected utilization for all the acute care beds (existing, approved and proposed) at WakeMed North exceeds the performance standard promulgated in 10A NCAC 14C .3803.

Access to Medically Underserved Groups

In Section C.6, page 70, the applicant states,

“WakeMed ensures access to health care services for all patients, regardless of income, payer status, gender, sexual orientation, race, ethnicity, or physical handicap.”

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	5.8%
Racial and ethnic minorities	31.9%
Women	68.4%
Persons with Disabilities*	na
The elderly	34.2%
Medicare beneficiaries	33.8%
Medicaid recipients	11.0%

Source: Table on page 81 of the application.

*WakeMed does not track persons with physical or mental disabilities.

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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

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

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

NA

All Applications

None of the applications 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.

C

All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41AC beds

The applicant proposed to develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section E.2, pages 59-60, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo
- Develop incremental acute care beds at Duke Green Level Hospital
- Construct a new acute care hospital in Wake County in another geographic location

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

- Maintaining the status quo is a less effective alternative as it does not address patient need for acute care bed capacity at DRAH. Currently, high utilization and lack of additional acute care bed capacity is negatively impacting DRAH's ability to ensure both inpatient access and emergency room access.
- Develop incremental acute care beds at Duke Green Level Hospital is a less effective alternative as it would not timely address acute care bed need in Wake County as demonstrated in the 2023 SMFP. The 2023 SMFP forecasts need as of 2025 and Duke Green Level Hospital is not expected to be operational until FY2029.
- Construct a new acute care hospital in Wake County in another geographic location is both a more costly alternative as it would require new construction and less effective alternative as it would not timely address acute care bed need in Wake County as demonstrated in the 2023 SMFP. The 2023 SMFP forecasts need as of 2025 and the completion of a new acute care hospital in Wake County would reasonably be expected to be a few years beyond 2025.
- The proposed project would be able to bring the AC beds operational in a timelier manner and leverage existing resources to minimize capital costs.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

The applicant proposes to develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section E.2, pages 78-79, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo
- Develop a different number of acute care beds at UNC REX Hospital
- Develop acute care beds at UNC Health REX Holly Springs Hospital

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

- Maintaining the status quo is a less effective alternative that would not address the current and projected needs of the patient population at UNC REX Hospital as UNC REX Hospital is operating at high occupancy levels resulting in patient wait times for beds and operational inefficiencies and the population of Raleigh and Wake County is projected to grow.
- Developing a different number of acute care beds at UNC REX Hospital is a less effective alternative as developing fewer than 44 new AC beds would not allow UNC REX Hospital to meet both current and projected demand. In addition, it would be cost effective to develop the 44 AC beds at UNC REX Hospital as the 44 AC beds can be developed in existing space.
- Developing some or all of the 44 acute care beds at UNC REX Holly Springs would be more costly in both capital and time. Specialized care would be limited in comparison to UNC REX and require more investment in staff training, equipment and infrastructure. The same level of seamless expansion, better utilization of resources and patient access that would not exist at UNC REX Holly Springs as at UNC REX.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

The applicant proposes to develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section E.2, pages 82-83, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo
- Develop AC beds at a different WakeMed location.
- Develop a different number of AC Beds

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

- Maintaining the status quo is not the most effective alternative as it would not help address capacity constraints for acute care service at WakeMed Cary.
- Develop AC beds at a different WakeMed location is not the most effective alternative as WakeMed considered different options and WakeMed filed a concurrent application for 35 AC beds at WakeMed North as it was determined that analysis showed more need at WakeMed North.
- Develop a different number of AC beds at WakeMed Cary is not the most effective alternative as WakeMed leadership determined that 9 new additional AC beds allow WakeMed to both increase its capacity of AC beds while also allowing WakeMed Cary to maintain its unlicensed observation beds that can be used to evaluate patients. The applicants state that observation beds allow the hospital to maximize patient throughput, minimizing emergency department wait times.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

The applicant proposes to develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section E.2, pages 90-93, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo
- Add Acute Care Beds at another existing or approved WakeMed System location
- Change the number of Acute Care Beds requested
- Different configuration

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

- Maintaining the status quo is not the most effective alternative as it would not help address capacity constraints for acute care service at WakeMed North.
- Add Acute Care Beds at different WakeMed System locations is a less effective alternative as it was determined by WakeMed leadership that the bed capacity at WakeMed Raleigh is currently sufficient and a concurrent application for 9 AC beds which project could be completed at a nominal cost and will provide additional inpatient capacity to support growth at that particular campus.
- Changing the number of AC beds requested is not the most effective alternative as patient need at WakeMed North exceeds demand at other WakeMed system locations. WakeMed North went on Red Diversion for the Emergency Department in each of the past 12 months due to lack of acute inpatient bed capacity.
- A different configuration of AC beds is a less effective alternative due to physical site issues at the WakeMed North location.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

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

C
All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

The applicant proposed to develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Capital and Working Capital Costs

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

Site Costs	\$0
Construction Costs	\$11,275,000
Miscellaneous Costs	\$2,740,000
Total	\$14,015,000

In Section F.1, page 61 and in Section Q, Form F.1, page 105, and Form F.1a, page 118, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions.

In Section F.3, page 63, the applicant states there will be no start-up costs or initial operating expenses because DRAH is an existing hospital.

Availability of Funds

In Section F.2, page 61, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Duke University Health System, Inc.	Total
Loans		
Cash and Cash Equivalents, Accumulated reserves or OE *	\$14,015,000	\$14,015,000
Bonds		
Other		
Total Financing	\$14,015,000	\$14,015,000

* OE = Owner's Equity

Exhibit F.2 contains a letter dated August 5, 2022, from the Interim Chief Financial Officer and Treasurer for Duke University Health System documenting that the funds will be made available for the capital costs of the project. Exhibit F.2 also contains a copy of the audited financial statements for Duke University Health System which indicate adequate cash and cash equivalents as of June 30, 2022, to fund the proposed project. The applicant adequately demonstrates the availability of sufficient funds for 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 completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses for DUHS in the first three full fiscal years following completion of the project, as shown in the table below.

Duke Raleigh Hospital: Acute Care Beds

Duke University Health System	1 st Full Fiscal Year (7/1/25-6/30/26)	2 nd Full Fiscal Year (7/1/26-6/30/27)	3 rd Full Fiscal Year (7/1/27-6/30/28)
Total Patient Days*	61,189	63,275	65,431
Total Gross Revenues (Charges)	\$602,380,044	\$622,937,665	\$644,121,407
Total Net Revenue	\$195,008,315	\$203,125,495	\$211,583,381
Average Net Revenue per Patient Day	\$3,187	\$3,210	\$3,234
Total Operating Expenses (Costs)	\$271,932,023	\$290,101,748	\$309,455,818
Average Operating Expense per Patient Day	\$4,444	\$4,585	\$4,730
Net Income	(\$76,923,708)	(\$86,976,253)	(\$97,872,437)

Source Form F.2b in Section Q, page 113 of the application.

* See Form C.3b in Section Q, page 101 of the application.

Duke University Health System

Duke University Health System	1 st Full Fiscal Year (7/1/25-6/30/26)	2 nd Full Fiscal Year (7/1/26-6/30/27)	3 rd Full Fiscal Year (7/1/27-6/30/28)
Total Gross Revenues (Charges)	\$20,330,258,000	\$21,163,103,000	\$22,029,654,000
Total Net Revenue	\$6,532,431,000	\$6,797,120,000	\$7,070,364,000
Total Operating Expenses (Costs)	\$6,718,955,000	\$6,889,770,000	\$7,061,331,000
Net Income	(186,523,000)	(92,650,000)	\$9,032,000

Source: Form F2.b, page 107, of the application.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

- Responses to comments
- 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 following reasons:

- 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.
- 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.

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

The applicant proposes to develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake 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	\$5,912,259
Miscellaneous Costs	\$2,741,856
Total	\$8,654,115

In Section F.1, page 80, Section Q, Form F.1a Capital Cost and From F.1a Assumptions, and in Exhibit F.1, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions.

In Section F.3, pages 82-83, the applicant states there will be no start-up costs or initial operating expenses because UNC REX Hospital is an existing hospital.

Availability of Funds

In Section F.2, page 80, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Rex Hospital, Inc.	Total
Loans		
Cash and Cash Equivalents, Accumulated reserves or OE *	\$8,654,115	\$8,654,115
Bonds		
Other		
Total Financing	\$8,654,115	\$8,654,115

* OE = Owner's Equity

Exhibit F.2-1 contains an August 15, 2023, letter from a Chief Financial Officer for Rex Hospital, Inc. documenting that the funds will be made available for the capital costs of the project. Exhibit F.2-2 contains the audited financial statements for Rex Healthcare, Inc. which indicate the hospital had adequate cash and cash equivalents as of June 30, 2022, to fund the proposed project. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

The applicant adequately demonstrates the availability of sufficient funds for 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 completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses for UNC REX Hospital in the first three full fiscal years following completion of the project, as shown in the table below.

UNC REX Hospital: Acute Care Beds

	1st Full Fiscal Year (7/1/25- 6/30/26)	2nd Full Fiscal Year (7/1/26- 6/30/27)	3rd Full Fiscal Year (7/1/27- 6/30/28)
Total Patient Days*	156,080	161,014	166,105
Total Gross Revenues (Charges)	\$304,988,694	\$322,997,747	\$342,062,305
Total Net Revenue	\$109,553,191	\$116,022,117	\$122,870,185
Average Net Revenue per patient day	\$702	\$721	\$740
Total Operating Expenses (Costs)	\$182,983,337	\$193,133,372	\$203,846,551
Average Operating Expense per patient day	\$1,172	\$1,200	\$1,227
Net Income	(\$73,430,146)	(\$77,111,255)	(\$80,976,366)

Source: Form F.2b, UNC Health Rex Hospital Main Campus Acute Care Beds

*See Form C.1b in Section Q.

UNC REX Hospital: Entire Facility

	1st Full Fiscal Year (7/1/25- 6/30/26)	2nd Full Fiscal Year (7/1/26- 6/30/27)	3rd Full Fiscal Year (7/1/27- 6/30/28)
Total Gross Revenues (Charges)	\$4,726,159,000	\$4,955,098,000	\$5,195,159,000
Total Net Revenue	\$1,718,295,000	\$1,800,561,000	\$1,886,795,000
Total Operating Expenses (Costs)	\$1,673,733,000	\$1,748,321,000	\$1,826,282,000
Net Income	\$44,562,000	\$52,240,000	\$60,513,000

Source: Form F.2b, UNC Health Rex Hospital Total Facility

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 following reasons:

- 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.
- 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.

Project ID #J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

The applicant proposes to develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 171, the applicant projects the total capital cost of the project, as shown in the table below.

Site Costs	\$0
Construction Costs	\$1,300,950
Miscellaneous Costs	\$522,666
Total	\$1,823,616

In Section F.1, page 84, Section Q, Form F.1a, and Exhibit F.1 the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions.

In Section F.3, pages 87-88, the applicant states there will be no start-up costs or initial operating expenses because WakeMed Cary is an existing hospital.

Availability of Funds

In Section F.2, page 84, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	WakeMed	Total
Loans		
Cash and Cash Equivalents, Accumulated reserves or OE *	\$1,823,616	\$1,823,616
Bonds		
Other		
Total Financing	\$1,823,616	\$1,823,616

* OE = Owner's Equity

Exhibit F.2 contains a letter dated July 27, 2023, from the Senior Vice President, Finance & Interim Chief Financial Officer for WakeMed referencing the audited financial statements for WakeMed as of September 30, 2021, stating that WakeMed has adequate current assets to fund the projected working capital costs for the proposed project and committing those funds for the proposed project. Exhibit F.2 also contains the audited financial statements for WakeMed which indicate the hospital had adequate cash and cash equivalents as of June 30, 2022, to fund the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for 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 completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

WakeMed Cary Hospital: Inpatient Beds

	1st Full Fiscal Year (10/1/25-9/30/26)	2nd Full Fiscal Year (10/1/26-9/30/27)	3rd Full Fiscal Year (10/1/27-9/30/28)
Total Patient Days*	61,889	56,869	56,846
Total Gross Revenues (Charges)	\$870,721,986	\$878,516,417	\$915,707,255
Total Net Revenue	\$213,630,220	\$218,024,932	\$229,832,082
Average Net Revenue per patient day	\$3,452	\$3,834	\$4,043
Total Operating Expenses (Costs)	\$198,616,437	\$204,086,360	\$211,618,368
Average Operating Expense per patient day	\$3,209	\$3,589	\$3,723
Net Income	\$15,013,783	\$13,938,571	\$18,213,714

Source: Form F.2b, WakeMed Cary Hospital Inpatient Beds, page 174.

*See Form C.1b in Section Q, page 146.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 following reasons:

- 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.
- 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.

Project ID #J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

The applicant proposes to develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 190, the applicant projects the total capital cost of the project, as shown in the table below.

Site Costs	\$9,680,000
Construction Costs	\$91,478,100
Miscellaneous Costs	\$56,619,474
Total	\$157,777,574

In Section F.1, page 94 and Section Q, Form F.1a, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions.

In Section F.3, pages 97-98, the applicant states there will be no start-up costs or initial operating expenses because WakeMed North is an existing hospital.

Availability of Funds

In Section F.2, page 95, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	WakeMed	Total
Loans	\$	\$
Cash and Cash Equivalents, Accumulated reserves or OE *	\$	\$
Bonds	\$157,777,574	\$157,777,574
Other	\$	\$
Total Financing	\$157,777,574	\$157,777,574

* OE = Owner’s Equity

Exhibit F.2 contains a letter dated August 8, 2022, from the managing director of H2C Securities, a strategic advisory and investment banking firm stating that regarding the proposed project which is estimated to cost \$157.8 million, *“Serving as WakeMed’s exclusive financial advisor since 2018, H2C has a deep understanding of WakeMed’s*

financial and competitive position, strategic objectives and ability to access capital. ... H2C is believes that WakeMed will be able to finance the cost of the Project from cash and accumulated reserves or through a Bond Issue, depending on market conditions at the time funding is required.”

Exhibit F.2 contains a copy of the audited financial statements for WakeMed as of September 30, 2022.

The applicant adequately demonstrates the availability of sufficient funds for 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 completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

WakeMed North Hospital: Inpatient Beds

	1st Full Fiscal Year (10/1/27-9/30/28)	2nd Full Fiscal Year (10/1/28-9/30/29)	3rd Full Fiscal Year (10/1/29-9/30/30)
Total Patient Days*	27,336	27,830	28,343
Total Gross Revenues (Charges)	\$413,711,671	\$425,501,836	\$437,870,487
Total Net Revenue	\$133,598,509	\$138,854,229	\$144,370,729
Average Net Revenue per patient day	\$4,887	\$4,989	\$5,094
Total Operating Expenses (Costs)	\$78,273,053	\$79,778,915	\$81,112,875
Average Operating Expense per patient day	\$2,863	\$2,867	\$2,862
Net Income	\$61,889,598	\$65,311,249	\$69,165,582

Source: Form F.2b, WakeMed North Hospital Inpatient Beds, page 193.

*See Form C.1b in Section Q, page 162. NOTE: based on 106 AC beds which is the total existing and proposed AC beds (112) minus the existing NICU beds (6) [112-6 = 106 AC beds].

The Project Analyst notes that UNC Rex Hospitals submitted a comment that WakeMed North did not subtract all operating costs from net revenue for each of the first three project years. In its response to comments WakeMed North acknowledged this calculation error. The operating expenses not subtracted from net revenue were 1st FFY: \$6,564,142; 2nd FFY: \$6,235,935; and 3rd FFY: \$5,907,727. In the table below, the Project Analyst makes the adjustments and notes that revenues will still exceed operating expenses for first three full fiscal years.

	1 st Full Fiscal Year (10/1/27-9/30/28)	2 nd Full Fiscal Year (10/1/28-9/30/29)	3 rd Full Fiscal Year (10/1/29-9/30/30)
	\$61,889,598	\$65,311,249	\$69,165,582
	\$6,564,598	\$6,235,935	\$5,907,727
Net Income (Adjusted)	\$55,325,000	\$59,075,314	\$63,257,855

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 following reasons:

- 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.
 - 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

All Applications

The 2023 SMFP includes a need determination for 44 acute care beds in the Wake County service area.

Acute Care Beds. On page 31, the 2023 SMFP defines the service area for acute care hospital beds as “... *the single or multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 36, shows Wake County in a single grouping. Thus, the service area for the facilities in this review

is the Wake County service area. Facilities may also serve residents of counties not included in their service area.

In addition to the need determination in the 2023 SMFP for 44 AC beds in Wake County there are 1,592 existing and approved acute care beds (including NICU beds) [1,511 existing licensed AC Beds + 81 listed in the column entitled “Adjustments for CONs and Previous Need” not including the 44 AC beds in the 2023 SMFP = 1,592] allocated between eight existing and approved hospitals owned by three providers in the Wake County service area, as illustrated in the following table.

	Licensed Acute Care Beds	Adjustments for CONs/Previous Need	Total All Beds	NICU Beds	Total minus NICU Beds
Duke Raleigh Hospital	186	(-40)	146	0	
Duke Raleigh Hospital		18	18	0	
Duke Green Level Hospital	0	40	40	0	
Total: Duke Health System*	186	18	204	0	204
UNC REX Hospital	439	18	457	21	
UNC REX Holly Springs Hospital	50	0	50	0	
Total: UNC REX Health System**	489	18	507	21	486
WakeMed Raleigh Campus	567	20	587	48	
WakeMed Raleigh Campus		(-22)	(-22)	0	
Total: WakeMed Raleigh			565	48	517
WakeMed North Hospital	61	16	77	6	71
WakeMed Garner Hospital		31	31	0	31
WakeMed Cary Hospital	208	0	208	8	200
Total: WakeMed Health System***	836	45	881	62	819
Total: Wake County without 2023 Need Determination	1,511	81	1,592	83	1,509
2023 NEED DETERMINATION	0	44	44	0	44
Total: Wake County Service Area Total with 2023 Need Determination	1,511	125	1,636	83	1553

Source: Table 5A, 2023 SMFP, pages 42-43; 2023 Hospital License Renewal Applications (LRAs); and project approval data.

*DUHS was approved to develop a separately licensed acute care hospital, Duke Green Level Hospital (Project ID#J-12029-21), by relocating 40 AC beds from DRAH. In addition, DRAH was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12263-22).

**UNC REX Health System has two hospitals operating under the same license. UNC REX Hospital was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12258-22).

***WakeMed was approved to develop a new acute care hospital with 31 AC beds, WakeMed Garner Hospital, by relocating 22 AC beds from WakeMed Raleigh and also developing 9 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12264-22). In addition, WakeMed Raleigh has approval to develop 20 additional AC beds per Project ID# J-10165-13 (reconvert 20 nursing facility beds to acute care beds) and WakeMed North has approval to develop 16 additional AC beds per Project ID# J-10166-13 (reconvert 16 nursing facility beds to acute care beds).

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

The applicant proposed to develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section G.2, pages 69-70, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds services in Wake County. The applicant states,

“Based on the utilization data listed in Question G.1, the existing acute care providers do not currently have the capacity to meet the growing need for acute care services in Wake County, as evidenced by the need methodology in the 2023 SMFP. The State considers the existing and approved acute care hospitals (and corresponding acute care bed capacity) inadequate to meet the projected need in the acute care service area and has determined a need for 44 additional acute care beds in Wake County. ... The proposed project will not result in unnecessary duplication of existing or approved health service facilities in Wake County. The additional capacity is needed to meet the historic and projected utilization at DRAH.”

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

- There is a need determination in the 2023 SMFP for 44 acute care beds in the Wake County service area and the applicant proposes to develop 41 acute care beds.
- The applicant adequately demonstrates that the proposed 41 acute care beds are needed in addition to the existing or approved acute care beds in Wake County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

The applicant proposes to develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section G.2, page 90, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds services in Wake County. The applicant states,

“The 2023 SMFP includes a need determination for 44 additional acute care beds in Wake County. ... UNC Health Rex Hospital operated at 82.5 percent occupancy in SFY 2022. High occupancy rates negatively impact multiple aspects of hospital operations, forcing UNC Health REX to hold patients in the emergency department or other areas of the hospital for extended periods of time before a bed is available for admission. ... No other provider can meet the needs of patients that choose UNC Health Rex Hospital.”

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

- There is a need determination in the 2023 SMFP for 44 acute care beds in the Wake County service area and the applicant proposes to develop 44 acute care beds.
- The applicant adequately demonstrates that the proposed 44 acute care beds are needed in addition to the existing or approved acute care beds in Wake County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12418-23/ WakeMed Cary Hospital/ Add 9 AC Beds

The applicant proposes to develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section G.2, pages 94-95, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds services in Wake County. The applicant states,

“WakeMed Cary needs 9 more licensed non-neonatal acute care beds to address significant current capacity constraints that have occurred in the past three years and are expected to sustain through the third project year. In the past 2.57 years, WakeMed Cary acute care inpatients exceeded the capacity of its 164 medical-surgical beds on 257

different days. Patients in excess of beds ranged from a low of one to a high of 170 on a given day.

...

Adding services to meet this demand does not represent unnecessary duplication of services. ... This project will alleviate demonstrated acute bed capacity constraints.”

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

- There is a need determination in the 2023 SMFP for 44 acute care beds in the Wake County service area and the applicant proposes to develop 9 acute care beds.
- The applicant adequately demonstrates that the proposed 9 acute care beds are needed in addition to the existing or approved acute care beds in Wake County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12419-23/ WakeMed North Hospital/ Add 35 AC Beds

The applicant proposes to develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section G.2, pages 104-106, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds services in Wake County. The applicant states,

“The proposed project is in response to the need determination for acute care beds in Wake County in the 2023 State Medical Facilities Plan.

...

WakeMed North was on Emergency Department Red Diversion every one of the last 12 months. When that occurred, ambulances were diverted to other hospitals. WakeMed

worked to transfer patients to available beds within the system. However, as illustrated in Exhibit C.5, p. 11 and the utilization history and forecasts with Form C in Section Q of this application, other WakeMed facilities are also operating above their target occupancies.”

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

- There is a need determination in the 2023 SMFP for 44 acute care beds in the Wake County service area and the applicant proposes to develop 35 acute care beds.
- The applicant adequately demonstrates that the proposed 35 acute care beds are needed in addition to the existing or approved acute care beds in Wake County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all 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

All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

The applicant proposed to develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

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 Section Q, Form F.3b. In Sections H.2 and H.3, pages 72-74, the applicant describes the methods that will be 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.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

The applicant proposes to develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

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 Section Q, Form F.3b. In Sections H.2 and H.3, pages 92-93, 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.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID # J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

The applicant proposes to develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

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 Section Q, Form F.3b. In Sections H.2 and H.3, pages 97-103, the applicant describes the methods to be 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.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID # J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

The applicant proposes to develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

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 Section Q, Form F.3b. In Sections H.2 and H.3, pages 109-116, the applicant describes the methods to be 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.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all 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

All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

The applicant proposed to develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Ancillary and Support Services

In Section I.1, page 75, the applicant identifies the necessary ancillary and support services for the proposed services. On page 75, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit B.1 of the application. The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

Coordination

In Section I.2, pages 76, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides a link to Duke Health's 2023 Report on Community Benefit outlining Duke's community investment. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

The applicant proposes to develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Ancillary and Support Services

In Section I.1, page 95, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 95-96, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1 of the application. The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

Coordination

In Section I.2, page 96, 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 of the application. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID # J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

The applicant proposes to develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Ancillary and Support Services

In Section I.1, page 105, the applicant identifies the necessary ancillary and support services for the proposed services. On page 106, the applicant explains how each ancillary and support service is or will be 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.

Coordination

In Section I.2, pages 107-108, 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, pages 2, 23, 29 and 59. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID # J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

The applicant proposes to develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Ancillary and Support Services

In Section I.1, page 117, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 118, the applicant explains how each ancillary and support service is or will be 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.

Coordination

In Section I.2, pages 119-120, 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, pages 2, 24, 30 and 69. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated 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
All Applications

None of the applicants 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

All Applications

None of the applicants are HMOs. 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

All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

The applicant proposed to develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section K, page 79, the applicant states that the project involves renovation of 22,230 square feet of existing space. Line drawings are provided in Exhibit K.2.

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

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

On page 80, 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

The applicant proposes to develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section K, page 99, the applicant states that the project involves renovation of 12,000 square feet of existing space. Line drawings are provided in Exhibit C.1.

On pages 99-100, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On page 100, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On page 100, 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID # J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

The applicant proposes to develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section K, page 111, the applicant states that the project involves renovation of 8,673 square feet of existing space. Line drawings are provided in Exhibit K.2.

On page 112, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On page 112, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On pages 112-113, 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated above.

Project ID # J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

The applicant proposes to develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section K, page 123, the applicant states that the project involves the construction of 121,000 square feet of new space. Line drawings are provided in Exhibit K-1.

On page 124, and in Exhibit K.3, pages 2 and 4, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On pages 124-125, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On pages 125-126, 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 all the reasons stated 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
 All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

In Section L, page 83, the applicant provides the historical payor mix during 7/1/2022 to 6/30/2023 for the facility, as shown in the table below.

Duke Raleigh Hospital: Facility

Payor Category	Percentage of Total Patients Served
Self-Pay	1.7%
Charity Care	2.5%
Medicare*	48.0%
Medicaid*	7.9%
Insurance*	37.6%
Workers Compensation	2.4%
TRICARE	1.7%
Other (specify)	2.5%
Total	100.0%

Source: Table on page 83 of the application.

*Including any managed care plans.

In Section L, page 84, 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	62.3%	50.9%
Male	37.7%	49.1%
Unknown	0.0%	
64 and Younger	54.9%	87.0%
65 and Older	45.1%	13.0%
American Indian	0.5%	0.9%
Asian	3.1%	9.8%
Black or African American	26.3%	18.4%
Native Hawaiian or Pacific Islander	0.2%	0.1%
White or Caucasian	62.3%	66.6%
Other Race	3.4%	4.2%
Declined / Unavailable	4.3%	

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information which was publicly available during the review and used by the Agency

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

Project ID # J-12417-23/ UNC REX Hospital/ Add 44 AC beds

In Section L, page 103, the applicant provides the historical payor mix during 7/1/2021 to 6/30/2022 for the facility, as shown in the table below.

UNC REX Hospital: Facility

Payor Category	Percentage of Total Patients Served
Self-Pay	5.5%
Medicare*	42.8%
Medicaid*	6.8%
Insurance*	43.1%
Other (Includes Workers Comp & TRICARE)	1.8%
Total	100.0%

Source: Table on page 103 of the application.

*Including any managed care plans.

In Section L, page 104, 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	58.5%	50.9%
Male	41.5%	49.1%
Unknown	0.0%	0.0%
64 and Younger	67.4%	87.0%
65 and Older	32.6%	13.0%
American Indian	0.3%	0.8%
Asian	2.4%	8.9%
Black or African American	20.6%	20.8%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	67.4%	66.6%
Other Race	6.6%	2.8%
Declined / Unavailable	2.6%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's

service area which is medically underserved. Therefore, the application is conforming to this criterion.

Project ID # J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

In Section L, page 115, the applicant provides the historical payor mix during 10/1/2021 to 9/30/2022 for the facility, as shown in the table below.

WakeMed Cary Hospital: Facility

Payor Category	Percentage of Total Patients Served
Self-Pay	4.1%
Medicare*	44.8%
Medicaid*	6.7%
Insurance*	41.5%
Other (Workers Comp/Other Govt/3PL)	2.9%
Total	100.0%

Source: Table on page 115 of the application.

*Including any managed care plans.

In Section L, page 116, 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	62.3%	50.9%
Male	37.7%	49.1%
Unknown	0.1%	na
64 and Younger	70.1%	87.0%
65 and Older	29.9%	13.0%
American Indian	0.3%	0.8%
Asian	5.0%	8.9%
Black or African American	21.3%	20.8%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	62.5%	66.6%
Other Race	8.6%	2.8%
Declined / Unavailable	2.2%	na

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information which was publicly available during the review and used by the Agency

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

Project ID # J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

In Section L, page 129, the applicant provides the historical payor mix during 10/1/2021 to 9/30/2022 for the facility, as shown in the table below.

WakeMed North Hospital: Facility

Payor Category	Percentage of Total Patients Served
Self-Pay	5.8%
Medicare*	33.8%
Medicaid*	11.0%
Insurance*	46.2%
Other (Workers Comp/Other Govt/3PL)	3.3%
Total	100.0%

Source: Table on page 129 of the application.

*Including any managed care plans.

In Section L, page 131, 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	64.8%	50.9%
Male	35.2%	49.1%
Unknown	0.1%	na
64 and Younger	78.6%	87.0%
65 and Older	21.4%	13.0%
American Indian	0.2%	0.8%
Asian	1.8%	8.9%
Black or African American	31.0%	20.8%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	55.4%	66.6%
Other Race	8.9%	2.8%
Declined / Unavailable	2.6%	na

The Agency reviewed the:

- Application
- Exhibits to the application

- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information which was publicly available during the review and used by the Agency

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

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

C All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, pages 85-86, the applicant states,

“For information purposes, Duke University Health System hospitals have satisfied the requirements of applicable federal regulations to provide, on an annual basis, a certain amount of uncompensated care in return for Hill Burton funds previously received. Further, they comply with the provisions of section 501(r) of the Internal Revenue Code including provisions requiring a published financial assistance policy, limiting charges to self-pay patients, and periodically conducting a Community Health Needs Assessment. DUHS has no special obligation under applicable Federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons, other than those obligations which apply to private, not-for-profit, acute care hospitals that participate in the Medicare, Medicaid, VA, TRICARE and Title V programs. ... DUHS does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay. DUHS will continue to have a robust financial assistance policy to provide all services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay, or any other factor that would classify a patient as underserved.”

In Section L, page 86, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against Duke Raleigh Hospital.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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.

Project ID # J-12417-23/ UNC REX Hospital/ Add 44 AC beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 105, the applicant states,

“UNC Health REX Hospital has had no obligations to provide uncompensated care, community service, or access to care by medically underserved, minorities, or handicapped persons during the last three years. However, in order to maintain UNC Health REX Hospital’s § 501(c)(3) tax-exempt status, it is necessary to fulfill a general obligation to provide access to healthcare services for all patients needing care, regardless of their ability to pay. UNC Health REX Hospital does this on a routine basis for all patients regardless of referral source.”

In Section L, page 106, the applicant states,

“On June 14, 2022, UNC Health REX Hospital received notification that the U.S. Department of Health and Human Services (HHS), Office of Civil Rights (OCR) was reviewing a complaint received on February 21, 2022, from a parent on behalf of their child, a UNC Health REX Hospital patient. Due to the nature of the allegations which included age discrimination, the complaint was referred to the Federal Mediation and Conciliation Service (FMCS). UNC Health REX has been in contact with OCR and engaged in multiple communications with the complainant to address and resolve any and all issues. UNC Health REX believes the matter to be closed as medication was not required and there have been no contact from the OCR related to this complaint.”

The applicant states that during the 18 months immediately preceding the application deadline, no other patient civil rights access complaints have been filed against UNC Health REX Hospital.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

- 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.

Project ID # J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 117, the applicant states that it has no obligations under any applicable federal regulation but complies with all other federally mandated regulations related to minorities and handicapped individuals.

In Section L.2b, page 117, the applicant states that no patient civil rights equal access complaints have been filed against WakeMed in the past 18 months.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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.

Project ID # J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 132, the applicant states that it has no obligations under any applicable federal regulation but complies with all other federally mandated regulations related to minorities and handicapped individuals.

In Section L.2b, page 132, the applicant states that no patient civil rights equal access complaints have been filed against WakeMed in the past 18 months.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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.

- (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
All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

In Section L.3, page 87, the applicant projects the following payor mix for the proposed acute care bed services during third full fiscal year [7/1/2027 to 6/30/2028] of operation following completion of the project, as shown in the table below.

Duke Raleigh Hospital: Acute Care Beds

Payor Category	Percentage of Total Patients Served
Self-Pay	1.9%
Charity Care	3.5%
Medicare*	60.4%
Medicaid*	8.7%
Insurance*	22.5%
Workers Compensation	3.0%
TRICARE	1.9%
Other (specify)	3.5%
Total	100.0%

Source: Table on page 87 of the application.

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.9% of acute care bed services will be provided to self-pay patients, 3.5% to charity care patients, 60.4% to Medicare patients and 8.7% to Medicaid patients.

On pages 87-88, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the historical payor mix for acute care beds at DRAH.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments

- Information publicly available during the review and used by the Agency

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

Project ID # J-12417-23/ UNC REX Hospital/ Add 44 AC beds

In Section L.3, page 107, the applicant projects the following payor mix for the proposed acute care beds during third full fiscal year [7/1/2027 to 6/30/2028] of operation following completion of the project, as shown in the table below.

UNC REX Hospital: Acute Care Beds

Payor Category	Percentage of Total Patients Served
Self-Pay	2.1%
Medicare*	58.6%
Medicaid*	9.9%
Insurance*	23.4%
Other (Includes Workers Comp & TRICARE)	6.0%
Total	100.0%

Source: Table on page 107 of the application.

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 2.1% of acute care bed services will be provided to self-pay patients, 58.6% to Medicare patients and 9.9% to Medicaid patients.

On pages 106-107, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the historical payor mix for UNC REX Hospital's acute care beds for FY2022 and the applicant does not expect the proposed project to impact payor mix.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

Project ID # J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

In Section L.3, pages 118, the applicant projects the following payor mix for the proposed acute care inpatient services during third full fiscal year [10/1/2027 to 9/30/2028] of operation following completion of the project, as shown in the table below.

WakeMed Cary Hospital: Acute Care Inpatient Beds

Payor Category	Percentage of Total Patients Served
Self-Pay	4.2%
Medicare*	54.9%
Medicaid*	5.7%
Insurance*	33.3%
Other (Workers Comp/Other Govt/3PL)	1.8%
Total	100.0%

Source: Table on page 118 of the application.

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 4.2% of acute care bed services will be provided to self-pay patients, 54.9% to Medicare patients and 5.7% to Medicaid patients.

In Section Q, proformas, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it's based on the historical payor mix originating from the proposed service area which patients utilized at any WakeMed inpatient facilities.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

Project ID # J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

In Section L.3, pages 133, the applicant projects the following payor mix for the proposed acute care bed services during third full fiscal year [10/1/2029 to 9/30/2030] of operation following completion of the project, as shown in the table below.

WakeMed North Hospital: Acute Care Beds

Payor Category	Percentage of Total Patients Served
Self-Pay	5.9%
Medicare*	50.4%
Medicaid*	6.2%
Insurance*	35.6%
Other (Workers Comp/Other Govt/3PL)	1.9%
Total	100.0%

Source: Table on page 133 of the application.

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 5.9% of inpatient services will be provided to self-pay patients, 50.4% to Medicare patients and 6.2% to Medicaid patients.

In Section Q, proformas, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it's based on historical payor mix (FY 2022) at WakeMed North.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

In Section L.5, page 89, 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
- Written comments
- Responses to comments

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

Project ID #J-12417-23/ UNC REX Hospital/ Add 44 AC beds

In Section L.5, page 108, 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
- Written comments
- Responses to comments

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

Project ID #J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

In Section L.5, pages 120-122, 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
- Written comments
- Responses to comments

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

Project ID #J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

In Section L.5, pages 135-136, 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
- Written comments

- Responses to comments

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
All Applications

All Applications. In Section M, the applicants describe the extent to which health professional training programs in the area have or will have access to the facility for training purposes and provide supporting documentation in the referenced exhibits.

The Agency reviewed the:

- Applications
- Exhibits to the applications

Based on that review, the Agency concludes that all of the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, all of the applications are conforming to this criterion.

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

C
All Applications

The 2023 SMFP includes a need determination for 44 acute care beds in the Wake County service area.

Acute Care Beds. On page 31, the 2023 SMFP defines the service area for acute care hospital beds as “... *the single or multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 36, shows Wake County in a single grouping. Thus, the service area for the facilities in this review

is the Wake County service area. Facilities may also serve residents of counties not included in their service area.

In addition to the need determination in the 2023 SMFP for 44 AC beds in Wake County there are 1,592 existing and approved acute care beds (including NICU beds) [1,511 existing licensed AC Beds + 81 listed in the column entitled “Adjustments for CONs and Previous Need” not including the 44 AC beds in the 2023 SMFP = 1,592] allocated between eight existing and approved hospitals owned by three providers in the Wake County service area, as illustrated in the following table.

	Licensed Acute Care Beds	Adjustments for CONs/Previous Need	Total All Beds	NICU Beds	Total minus NICU Beds
Duke Raleigh Hospital	186	(-40)	146	0	
Duke Raleigh Hospital		18	18	0	
Duke Green Level Hospital	0	40	40	0	
Total: Duke Health System*	186	18	204	0	204
UNC REX Hospital	439	18	457	21	
UNC REX Holly Springs Hospital	50	0	50	0	
Total: UNC REX Health System**	489	18	507	21	486
WakeMed Raleigh Campus	567	20	587	48	
WakeMed Raleigh Campus		(-22)	(-22)	0	
Total: WakeMed Raleigh			565	48	517
WakeMed North Hospital	61	16	77	6	71
WakeMed Garner Hospital		31	31	0	31
WakeMed Cary Hospital	208	0	208	8	200
Total: WakeMed Health System***	836	45	881	62	819
Total: Wake County without 2023 Need Determination	1,511	81	1,592	83	1,509
2023 NEED DETERMINATION	0	44	44	0	44
Total: Wake County Service Area Total with 2023 Need Determination	1,511	125	1,636	83	1553

Source: Table 5A, 2023 SMFP, pages 42-43; 2023 Hospital License Renewal Applications (LRAs); and project approval data.

*DUHS was approved to develop a separately licensed acute care hospital, Duke Green Level Hospital (Project ID#J-12029-21), by relocating 40 AC beds from DRAH. In addition, DRAH was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12263-22).

**UNC REX Health System has two hospitals operating under the same license. UNC REX Hospital was approved to develop 18 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12258-22).

***WakeMed was approved to develop a new acute care hospital with 31 AC beds, WakeMed Garner Hospital, by relocating 22 AC beds from WakeMed Raleigh and also developing 9 new AC beds pursuant to the 2022 SMFP Need Determination for 45 AC beds in Wake County (See Project ID#J-12264-22). In addition, WakeMed Raleigh has approval to develop 20 additional AC beds per Project ID# J-10165-13 (reconvert 20 nursing facility beds to acute care beds) and WakeMed North has approval to develop 16 additional AC beds per Project ID# J-10166-13 (reconvert 16 nursing facility beds to acute care beds).

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

The applicant proposed to develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 92, the applicant states:

“By ensuring sufficient capacity to meet demand for DRAH’s acute care inpatient services, this project will increase patient choice for patients throughout the service area and beyond. The project will promote cost-effectiveness, quality, and access to services and therefore will promote competition in Wake County.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 92, the applicant states:

“This project will not affect the cost to patients or payors for the services provided by DRAH because reimbursement rates are set by the federal government and commercial insurers. The nominal capital expenditure for this project is necessary to ensure that DUHS will continue to provide high-quality services that are accessible to patients.”

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 93, the applicant states:

“DUHS is committed to delivering high-quality care at all of its facilities and will continue to maintain the highest standards and quality of care, consistent with the standards that DUHS has sustained throughout its illustrious history of providing patient care.”

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 93, the applicant states:

“DUHS will continue to have a policy to provide services to all patients, regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay, or any other factor that would classify a patient as underserved.”

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 will 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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.

Project ID # J-12417-23/ UNC REX Hospital/ Add 44 AC beds

The applicant proposes to develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

In Section N, page 111, Section B, pages 27-32, and Exhibits B.20-1, B.20-2 and B.20-3, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality, and access to the proposed services.

The applicant 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 will 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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.

Project ID # J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

The applicant proposes to develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 127, the applicant states:

“It is expected that the proposed project will have a positive effect on competition in the proposed service area. Wake County is served by three major health care systems that operate five acute care hospitals and three stand-alone emergency departments. As such, competition for patients, physicians and staff in the area is quite strong.”

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 127-128, the applicant states:

“WakeMed’s proposal will be cost effective with regard to equipment, construction approach, funding, patient care protocols, service organization and payment value. ... The project involves conversion of existing, unlicensed observation beds to licensed acute care beds. Renovations are expected to be very minimal and therefore a cost-effective way to add acute inpatient care beds. ... The applicant proposes to fund the project with its own accumulated reserves, thus eliminating the cost of borrowing, and limiting project costs.”

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 128-130, the applicant states:

“The proposed project will operate as part of WakeMed Cary Campus. This automatically subjects it to Joint Commission quality standards. ... WakeMed strives to provide high-quality services to all. ... A copy of the 2022 Quality Assurance and Performance Improvement Plan is included in Exhibit B.20 p.2”

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 130-131, the applicant states:

“WakeMed Cary, like all facilities in the WakeMed system, does not discriminate against any patient based on income, age, gender, ethnicity, physical handicap, ability to pay, or insurance coverage. See Exhibit B.20 p17 for WakeMed Cary’s Non-Discrimination Statement, Exhibit C.6, pages 2 and 11, for WakeMed’s American with Disabilities (ADA) Policy and Financial Assistance Policy.”

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 will 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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.

Project ID # J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

The applicant proposes to develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 141, the applicant states:

“It is expected that the proposed project will have a positive effect on competition in the proposed service area. Wake County is served by three major health care systems that operate six acute care hospitals and three stand-alone emergency departments. As such, competition for patients, physicians and staff in the area is quite strong.”

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 142, the applicant states:

“WakeMed’s proposal will be cost effective in construction approach, funding, patient care protocols, service organization and payment value. ... After carefully evaluating master facility plan options for the WakeMed North campus, WakeMed determined that construction of a new tower adjacent and connected to the existing hospital building is the most cost-effective way to add space for the proposed beds. As explained in the architect’s letter in Exhibit K.3, p.4 vertical expansion would have required major changes to the structure. Yet, a vertical expansion is much less expensive to heat and cool.

...

The proposed structure will also increase efficiency of existing ancillary departments, spreading their fixed costs over more patient days and the design will maximize efficiency for inpatient care staff and physicians, because inpatients will be located on the same level.”

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 144-145, the applicant states:

“The proposed project will operate as part of WakeMed North Campus. This automatically subjects it to Joint Commission quality standards. WakeMed has an excellent quality rating... WakeMed strives to provide high-quality services to all. ... A copy of the 2022 Quality Assurance and Performance Improvement Plan is included in Exhibit B.20 p.2”

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 145-146, the applicant states:

“WakeMed North, like all facilities in the WakeMed system, does not discriminate against any patient based on income, age, sexual orientation, gender, ethnicity, physical handicap, ability to pay, or insurance coverage. See Exhibit B.20 p.17 for WakeMed Cary’s Non-Discrimination Statement and Exhibit C.6, p.2, for WakeMed’s Americans with Disabilities (ADA) Policy and Financial Assistance Policy.”

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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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

All Applications

Project ID # J-12412-23/ Duke Raleigh Hospital/ Add 41 AC beds

In Section Q, Form O, page 117, the applicant identifies four hospitals (three existing and one approved) located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of three existing facilities of this type located in North Carolina.

In Section O.4 and O.5, pages 96-97, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to immediate

jeopardy occurred in any of these facilities. According to the files in the Acute and Home Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at all three facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID # J-12417-23/ UNC REX Hospital/ Add 44 AC beds

In Section Q, Form O, the applicant identifies sixteen hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of 16 existing facilities of this type located in North Carolina.

In Section O.4, pages 114-116, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents occurred in two of these facilities; UNC UNC Hospitals and UNC Health Rex Hospital. Furthermore, according to the Exhibit O.4-2 and the files in the Acute and Home Care Licensure and Certification Section, DHSR all both facilities, UNC Hospitals and UNC Health Rex Hospital are back in compliance. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at all of the applicant's facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID # J-12418-23/ WakeMed Cary Hospital/ Add 9 AC beds

In Section Q, Form O, page 193, the applicant identifies two hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of two existing facilities of this type located in North Carolina.

In Section O.5, page 140, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents resulting in a finding of immediate jeopardy occurred in any of these facilities. According to the files in the Acute and Home Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at both facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID # J-12419-23/ WakeMed North Hospital/ Add 35 AC beds

In Section Q, Form O, page 217, the applicant identifies two hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of two three existing facilities of this type located in North Carolina.

In Section O.5, page 157, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents resulting in a finding of immediate jeopardy occurred in any of these facilities. According to the files in the Acute and Home Care

Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at both 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 All Applications

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

- Project ID # J-12412-23/ **Duke Raleigh Hospital**/ Develop 41 new acute care beds at DRAH pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.
- Project ID #J-12258-22/ **UNC REX Hospital**/ Develop 44 new acute care beds at UNC REX-Main Campus pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.
- Project ID #J-12264-22/ **WakeMed Cary Hospital**/ Develop 9 new acute care beds at WakeMed Cary pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.
- Project ID #J-12264-22/ **WakeMed North Hospital**/ Develop 35 new acute care beds at WakeMed North pursuant to the need determination in the 2023 SMFP for 44 AC beds in Wake County.

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- Duke Raleigh Hospital.** DRAH is an existing acute care hospital with existing acute care beds. In Section B, page 23, and Exhibit B.1, the applicant documents that it is a qualified applicant.
- C- UNC REX Hospital.** UNC REX-Main Campus is an existing acute care hospital with existing acute care beds. In Section B, page 25, the applicant documents that it is a qualified applicant.

- C- **WakeMed Cary Hospital.** WakeMed Cary is an existing acute care hospital with existing acute care beds. In Section B, page 25, and Exhibit B.1, the applicant documents that it is a qualified applicant.
 - C- **WakeMed North Hospital.** WakeMed North is an existing acute care hospital with existing acute care beds. In Section B, page 25, and Exhibit 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- **Duke Raleigh Hospital.** Per the definition section in 10A NCAC 14C .3801(1) above, “applicant hospital” means the hospital where the applicant proposed to develop the new acute care beds and includes all campuses on one license. DRAH is the only hospital on the license for DRAH and there is only one hospital campus. Therefore, the applicant hospital is DRAH. The applicant provides projected utilization of the existing, approved and proposed acute care beds for DRAH during each of the first three full fiscal years of operation following completion of the project as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.
 - C- **UNC REX Hospital.** Per the definition section in 10A NCAC 14C .3801(1) above, “applicant hospital” means the hospital where the applicant proposed to develop the new acute care beds and includes all campuses on one license. There are two hospital campuses on the UNC REX license: UNC REX Hospital and UNC REX Holly Springs Hospital hereinafter referred to as UNC REX licensed hospitals. Therefore, the applicant hospital is comprised of the UNC REX licensed hospitals. [Note: UNC REX Hospital is where the applicant proposes to add 44 new AC beds.] The applicant provides projected utilization of the existing, approved and proposed acute care beds for UNC REX licensed hospitals during each of the first three full fiscal years of operation following completion of the project as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.
 - C- **WakeMed Cary Hospital.** Per the definition section in 10A NCAC 14C .3801(1) above, “applicant hospital” means the hospital where the applicant proposed to develop the new acute care beds and includes all campuses on one license. WakeMed Cary is the only hospital on the WakeMed Cary license and there is only one hospital campus. Therefore, the applicant hospital is WakeMed Cary. The applicant provides projected utilization of the existing, approved and proposed acute care beds for WakeMed Cary during each of the first three full fiscal years of operation following completion of the project as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.
 - C- **WakeMed North Hospital.** Per the definition section in 10A NCAC 14C .3801(1) above, “applicant hospital” means the hospital where the applicant proposed to develop the new acute

care beds and includes all campuses on one license. WakeMed North is one of three hospitals on the WakeMed Raleigh license. The three hospitals on the WakeMed Raleigh license are WakeMed Raleigh, WakeMed North and WakeMed Garner (approved but not yet developed) hereinafter referred to as the WakeMed Raleigh License Hospitals. There are only three hospital campuses (2 existing and 1 approved). The applicant provides projected utilization of the existing, approved and proposed acute care beds for the WakeMed Raleigh License Hospitals during each of the first three full fiscal years of operation following completion of the project as shown in the table below. 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- **Duke Raleigh Hospital.** Per the definition section in 10A NCAC 14C .3801(1) above, “applicant hospital” means the hospital where the applicant proposed to develop the new acute care beds and includes all campuses on one license. DRAH is the only hospital on the license for DRAH and there is only one hospital campus. Therefore, the applicant hospital is DRAH. The applicant provides the projected occupancy rate of the existing, approved and proposed acute care beds for DRAH for the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage set forth in 10A NCAC 14C .3801(10) as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

- C- **UNC REX Hospital.** Per the definition section in 10A NCAC 14C .3801(1) above, “applicant hospital” means the hospital where the applicant proposed to develop the new acute care beds and includes all campuses on one license. There are two hospital campuses on the UNC REX license: UNC REX Hospital and UNC REX Holly Springs Hospital hereinafter referred to as UNC REX licensed hospitals. Therefore, the applicant hospital is comprised of the UNC REX licensed hospitals. [Note: UNC REX Hospital is where the applicant proposes to add 44 new AC beds.] The applicant provides the projected occupancy rate of the existing, approved and proposed acute care beds for UNC REX licensed hospitals for the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage set forth in 10A NCAC 14C .3801(10) as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

- C- **WakeMed Cary Hospital.** Per the definition section in 10A NCAC 14C .3801(1) above, “applicant hospital” means the hospital where the applicant proposed to develop the new acute care beds and includes all campuses on one license. WakeMed Cary is the only hospital on the WakeMed Cary license and there is only one hospital campus. Therefore, the applicant hospital is WakeMed Cary. The applicant provides a projected occupancy rate of the existing, approved and proposed acute care beds for WakeMed Cary for the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy

percentage set forth in 10A NCAC 14C .3801(10) as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

- C- **WakeMed North Hospital.** Per the definition section in 10A NCAC 14C .3801(1) above, “applicant hospital” means the hospital where the applicant proposed to develop the new acute care beds and includes all campuses on one license. WakeMed North is one of three hospitals on the WakeMed Raleigh license. The three hospitals on the WakeMed Raleigh license are WakeMed Raleigh, WakeMed North and WakeMed Garner (approved but not yet developed) hereinafter referred to as the WakeMed Raleigh License Hospitals. There are only three hospital campuses (2 existing and 1 approved). The applicant provides a projected occupancy rate for the existing, approved and proposed acute care beds for the three hospitals (three campuses) on the WakeMed Raleigh license for the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage set forth in 10A NCAC 14C .3801(10) as shown in the table below. 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- **Duke Raleigh Hospital.** Per the definition section in 10A NCAC 14C .3801(5) above, “hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity. The applicant is DUHS. The hospital system is also referred to as the Duke Hospital System. The proposed service area is Wake County. DUHS owns or operates two hospitals in Wake County: DRAH (existing) and Duke Green Level Hospital (approved but not developed). Duke Green Level Hospital is not projected to be in service until after the third project year of the project proposed in this application under review. Duke Green Level Hospital, upon completion, will have 40 AC beds. Those 40 AC beds are currently existing and licensed at DRAH and are included in the total number of beds in the table below. The applicant provides projected utilization of the existing, approved and proposed acute care beds for the Duke Hospital System during each of the first three full fiscal years of operation following completion of the project as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

- C- **UNC REX Hospital.** Per the definition section in 10A NCAC 14C .3801(5) above, “hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity. The applicant is Rex Inc. The proposed service area is Wake County. Rex Inc. owns or operates two hospitals in Wake County: UNC REX Hospital and UNC REX Holly Springs Hospital which are both under the same license. The hospital system is also referred to as the UNC Hospital System. The applicant provides projected utilization of the existing, approved and proposed acute care beds for the UNC Hospital System during each of the first three full fiscal years of operation following completion of the project as shown in the

table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

-C- WakeMed Cary Hospital. Per the definition section in 10A NCAC 14C .3801(5) above, “hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity. The applicant is WakeMed. The proposed service area is Wake County. WakeMed owns or operates four hospitals in Wake County: WakeMed Cary, WakeMed Raliegh, WakeMed North and WakeMed Garner (approved but not yet developed). The hospital system is also referred to as the WakeMed Hospital System. The applicant provides projected utilization of the existing, approved and proposed acute care beds for the WakeMed Hospital System during each of the first three full fiscal years of operation following completion of the project as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

-C- WakeMed North Hospital. Per the definition section in 10A NCAC 14C .3801(5) above, “hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity. The applicant is WakeMed. The proposed service area is Wake County. WakeMed owns or operates four hospitals in Wake County: WakeMed Cary, WakeMed Raliegh, WakeMed North and WakeMed Garner (approved but not yet developed). The hospital system is also referred to as the WakeMed Hospital System. The applicant provides projected utilization of the existing, approved and proposed acute care beds for the WakeMed Hospital System during each of the first three full fiscal years of operation following completion of the project as shown in the table below. 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- Duke Raleigh Hospital. Per the definition section in 10A NCAC 14C .3801(5) above, “hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity. The applicant is DUHS. The hospital system is also referred to as the Duke Hospital System. The proposed service area is Wake County. DUHS owns or operates two hospitals in Wake County: DRAH (existing) and Duke Green Level Hospital (approved but not developed). Duke Green Level Hospital is not projected to be in service until after the third project year of the project proposed in this application under review. Duke Green Level Hospital, upon completion, will have 40 AC beds. Those 40 AC beds are currently existing and licensed at DRAH and are included in the total number of beds in the table below. The applicant provides a projected average occupancy rate of the existing, approved and proposed acute care beds for the Duke Hospital System during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy rate set forth in 10A NCAC 14C .3801(10) as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

- C- **UNC REX Hospital.** Per the definition section in 10A NCAC 14C .3801(5) above, “hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity. The applicant is Rex Inc. The proposed service area is Wake County. Rex Inc. owns or operates two hospitals in Wake County: UNC REX Hospital and UNC REX Holly Springs Hospital which are both under the same license. The hospital system is also referred to as the UNC Hospital System. The applicant provides a projected average occupancy rate of the existing, approved and proposed acute care beds for the UNC Hospital System during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy rate set forth in 10A NCAC 14C .3801(10) as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

- C- **WakeMed Cary Hospital.** Per the definition section in 10A NCAC 14C .3801(5) above, “hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity. The applicant is WakeMed. The proposed service area is Wake County. WakeMed owns or operates four hospitals in Wake County: WakeMed Cary, WakeMed Raliegh, WakeMed North and WakeMed Garner (approved but not yet developed). The hospital system is also referred to as the WakeMed Hospital System. The applicant provides a projected average occupancy rate of the existing, approved and proposed acute care beds for the WakeMed Hospital System during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy rate set forth in 10A NCAC 14C .3801(10) as shown in the table below. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

- C- **WakeMed North Hospital.** Per the definition section in 10A NCAC 14C .3801(5) above, “hospital system” means all hospitals in the proposed service area owned or operated by the applicant or a related entity. The applicant is WakeMed. The proposed service area is Wake County. WakeMed owns or operates four hospitals in Wake County: WakeMed Cary, WakeMed Raliegh, WakeMed North and WakeMed Garner (approved but not yet developed). The hospital system is also referred to as the WakeMed Hospital System. The applicant provides a projected average occupancy rate of the existing, approved and proposed acute care beds for the WakeMed Hospital System during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy rate set forth in 10A NCAC 14C .3801(10) as shown in the table below. The discussion regarding projected utilization 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- **Duke Raleigh Hospital.** See Section C, pages 34-45, 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.

- C- **UNC REX Hospital.** See Section C, pages 40-55, 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.

- C- **WakeMed Cary Hospital.** See Section C, pages 43-56, 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.

- C- **WakeMed North Hospital.** See Section C, pages 47-65, 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.

COMPARATIVE ANALYSIS FOR ACUTE CARE BEDS

Pursuant to G.S. 131E-183(a)(1) and the 2023 State Medical Facilities Plan, no more than 44 acute care beds may be approved for the Wake County service area in this review. There are four applications in this review. Because those four applications in this review collectively propose to develop 129 additional acute care beds in the Wake County service area, all four applications cannot be approved for the total number of beds proposed. Therefore, after considering all the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved.

Below is a brief description of each project included in the Acute Care Bed Comparative Analysis.

- Project ID #J-12412-23/ **Duke Raleigh Hospital**/ Add 41 AC beds
- Project ID #J-12417-23/ **UNC REX Hospital**/ Add 44 AC beds
- Project ID #J-12418-23/ **WakeMed Cary Hospital**/ Add 9 AC beds
- Project ID #J-12419-23/ **WakeMed North Hospital**/ Add 35 AC beds

Because of the significant differences in types of facilities, numbers of total acute care beds, numbers of projected acute care days and discharges, levels of patient acuity which can be served, total revenues and expenses, and the differences in presentation of pro forma financial statements, some comparative factors may be of less value and result in less than definitive outcomes than if all applications were for like facilities of like size proposing like services and reporting in like formats.

Further, the analysis of comparative factors and what conclusions the Agency reaches (if any) regarding specific comparative analysis factors is determined in part by whether the applications included in the review provide data that can be compared and whether or not such a comparison would be of value in evaluating the competitive applications.

Conformity with Review Criteria

An application that is not conforming or conforming as conditioned with all applicable statutory and regulatory review criteria cannot be approved.

All four applications are conforming to all applicable statutory and regulatory review criteria. Therefore, regarding this comparative factor, all applications are equally effective alternatives.

Scope of Services

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

Duke Raleigh Hospital, UNC REX Hospital, WakeMed Cary Hospital and WakeMed North Hospital all applied for acute care beds in this review.

All four applications involve existing acute care hospitals which provide numerous types of medical services. However, **UNC REX Hospital** is a tertiary care hospital. **Duke Raleigh Hospital**, and **WakeMed Cary Hospital** and **WakeMed North Hospital** are smaller hospitals that do not offer or propose to offer all the same types of acute care bed services as **UNC REX Hospital**.

Therefore, **UNC REX Hospital** is the more effective alternative with respect to this comparative factor and **Duke Raleigh Hospital**, **WakeMed Cary Hospital** and **WakeMed North Hospital** are less effective alternatives with respect to this comparative factor.

Geographic Accessibility

The following table illustrates where the existing and proposed acute care beds (not including NICU beds) are or are proposed to be located within Wake County.

Facility	Total Beds*	Address	Location
Duke Green Level Hospital	40	Cary	Western Wake County
WakeMed Cary Hospital	209	Cary	Central/West Wake County
Duke Raleigh Hospital	205	Raleigh	Central Wake County
REX Hospital	480	Raleigh	Central Wake County
WakeMed Raleigh Campus***	517	Raleigh	Central Wake County
WakeMed North Hospital	106	North Raleigh	Central/North Wake County
UNC REX Holly Springs Hospital	50	Holly Springs	Western Wake County
WakeMed Garner Hospital***	31	Garner	South/Southeast Wake County

*If all requested acute care beds are approved. NICU beds are NOT included.

UNC REX Hospital (44 AC beds) and **Duke Raleigh Hospital** (41 AC beds) both propose to develop acute care beds in Raleigh (Central Wake County) where, as shown in the table above, most acute care beds [1,117 (1,202-85 proposed in this review)] in Wake County are currently located. **WakeMed Cary Hospital** (9 AC beds) proposes to develop acute care beds in what could be described as either Central/West Wake County where 200 acute care beds are currently located [200 (209-9 proposed in this review)] or Western Wake (which comprises Duke Green Level, UNC REX Holly Springs and WakeMed Cary) where 290 acute care beds are currently either existing or approved. **WakeMed North Hospital** (35 AC beds) proposes to develop acute care beds in Central/North Wake County where 71 acute care beds are currently located [71 (106-35)]. The Project Analyst notes that while WakeMed North Hospital does have a Raleigh address the address in the table above is listed as “North Raleigh” to emphasize its difference in location in relation to Duke Raleigh Hospital and REX Hospital. In contrast to Duke Raleigh Hospital and REX Hospital, WakeMed North Hospital is located off the outer loop (I-540) and per Google Maps is located over 6 miles further North.

Therefore, **WakeMed North Hospital** and **WakeMed Cary Hospital** are the more effective alternatives regarding geographic accessibility and the proposals of **Duke Raleigh Hospital** and **UNC REX Hospital** are the less effective alternatives with respect to this comparative factor.

Historical Utilization

The table below shows acute care bed utilization for all existing facilities, by health system, based on acute care days as based on the data from the 2023 LRAs (which are through 9/30/2022). Generally, the applicant with the higher historical utilization is the more effective alternative with regard to this comparative analysis factor.

Historical Utilization- Wake County Service Area

Health System	Patient Days- based on most recent LRA data which is thru 9/30/22	ADC	Total Beds (Existing and Approved) as of 9/30/22.	Utilization
Duke	54,279	148.71	204	72.90%
UNC	132,904	364.12	486	74.92%
WakeMed	237,490*	650.66	819	79.45%

ADC = patient days/365

*[(Big Wake + North) 180,637 + (Cary)56,853=237,490]

Duke Raleigh Hospital is part of the Duke Health System. **UNC REX Hospital** is part of the **UNC Health System**. **WakeMed Cary Hospital** and **WakeMed North Hospital** are part of the WakeMed Health System.

As shown in the table above, the WakeMed Health System had the highest historical utilization based on the most recent data from the 2023 LRAs.

In addition, in the 2024 SMFP which is based on the most recent historical data (through 9/30/2022), the WakeMed Health System showed a projected bed deficit for 2026 of 68 acute care beds; the Duke Health System showed a projected bed deficit for 2026 of 23 acute care beds; and the UNC Health System showed a projected bed deficit for 2026 of 32 acute care beds.

Therefore, the **WakeMed Cary Hospital** and **WakeMed North Hospital** proposed projects are the more effective alternatives with respect to this comparative factor. The application that is part of the UNC Health System (**UNC REX Hospital**) and the application that is part of the Duke Health System (**Duke Raleigh Hospital**) are less effective alternatives with respect to this criteria.

Competition (Patient Access to a New or Alternate Provider)

Generally, the introduction of a new provider in the service area would be the more effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients. However, the expansion of an existing provider that currently controls fewer acute care beds than another provider would also presumably encourage all providers in the service area to improve quality or lower costs in order to compete for patients.

As of the date of this decision, there are 1,592 existing and approved acute care beds in the Wake County service area allocated between eight existing and approved hospitals owned by three providers in the Wake County service area. The three providers are UNC (UNC REX Hospital and UNC REX Holly Springs Hospital); Duke (Duke Raleigh Hospital and Duke Green Level Hospital [approved but undeveloped]); and WakeMed (WakeMed Raleigh Campus, WakeMed North Hospital, WakeMed

Garner Hospital [approved but undeveloped] and WakeMed Cary Hospital). As noted earlier in these findings UNC REX Hospital and UNC REX Holly Springs Hospital operate under the same license, WakeMed Raleigh Campus, WakeMed North Hospital and WakeMed Garner Hospital operate under the same license and WakeMed Cary Hospital operates under its own license.

Current Acute Care Bed Allocation in Wake County [NOT INCLUDING NICU BEDS]

System	# of existing/approved acute care beds (NO NICU BEDS Included)	% of total acute care beds
Duke	204	13.52%
UNC	486	32.21%
WakeMed	819	54.27%
Total	1,509	100.00%

Proposed Acute Care Bed Allocation in Wake County Based on Each Proposed Project

Column	A	B	C	D	E
System	# of existing or approved AC beds	# of AC beds proposed	Total # of AC beds if the application is approved	Projected % of total AC beds**	Current % of total AC beds
1 Duke	204	41	245	15.78%	13.52%
2 UNC	486	44	530	34.13%	32.21%
3 WakeMed-Both Applications	819	44	863	55.57%	54.27%
WakeMed Cary	819	9	828	53.32%	54.27%
WakeMed North	819	35	854	54.99%	54.27%
4 Total	1509	44	1,553	100.00%	100.00%

*Total equals number of existing/approved acute care beds plus the 44 acute care beds in the 2023 SMFP need determination for Wake County.

**Column C divided by Total in column B (Row 4).

Duke Health system currently controls 13.52% of the existing and approved acute care beds in Wake County and if its current application for 41 new AC beds is approved the Duke Health system would control 15.78% of the existing and approved acute care beds in Wake County.

UNC Health system currently controls 32.21% of the existing and approved acute care beds in Wake County and if its current application for 44 new AC beds is approved the UNC Health system would control 34.13% of the existing and approved acute care beds in Wake County.

WakeMed Health system currently controls 54.27% of the existing and approved acute care beds in Wake County and if its two concurrent applications for a total of 44 new AC beds are approved the WakeMed Health system would control 55.7% of the existing and approved acute care beds in Wake County. If only the application to add 9 new AC beds at WakeMed Cary were approved the WakeMed Health system would still control 53.32% of the existing and approved acute care beds in Wake County.

Therefore, regarding patient access to a new or alternate provider, the application submitted by **Duke Raleigh Hospital** is the more effective alternative with respect to this comparative factor, and the

applications submitted by **UNC REX Hospital, WakeMed Cary Hospital and WakeMed North Hospital** are the less effective alternatives.

Access by Service Area Residents

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 Wake County as its own acute care bed service area. All four facilities are in Wake County. Thus, the service area for these facilities is Wake County. Facilities may also serve residents of counties not included in their service area.

Generally, regarding this comparative factor, the application projecting to serve the largest number of service area residents is the more effective alternative based on the assumption that residents of a service area should be able to derive a benefit from a need determination for additional acute care beds in the service area where they live.

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

Projected Acute Care Bed Service to Wake County Service Area Residents (FY3)

Applicant	# Wake County Patients	Total Patients	% Wake County Patients
Duke Raleigh Hospital	7,705	12,345	62.41%
UNC REX Hospital	19,973	30,072	66.42%
WakeMed Cary Hospital	Cannot Be Determined	12,036	Cannot Be Determined
WakeMed North Hospital	Cannot Be Determined	8,965	Cannot Be Determined

However, as stated in the table above, the percentage of Wake County residents for the third full fiscal year of acute care bed services at WakeMed Cary Hospital and WakeMed North Hospital could not be determined as the patient origin was provided by ZIP code, several of which crossed county lines. Therefore, the proposals of **WakeMed Cary Hospital and WakeMed North Hospital** cannot be effectively evaluated as part of this comparison.

In addition, differences in the acuity level of patients at each facility, the level of care (community hospital, tertiary care hospital) at each facility, and the number and types of acute care bed services vs. all patient services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

Furthermore, the acute care bed need determination methodology is based on utilization of all patients that utilize acute care beds in the Wake County service area and is not only based on patients originating from the Wake County service area. **UNC REX hospital** offers tertiary care; it pulls in patients from many counties. **Duke Raleigh Hospital** offers more acute care bed services than either **WakeMed Cary Hospital or WakeMed North Hospital** do and/or will offer. In addition, **DUKE Raleigh** is part of the DUHS system which will help pull patients from other counties. Both **WakeMed Cary Hospital and WakeMed North Hospital** are smaller hospitals. Obviously, the hospitals are different types of facilities and will offer a different scope of services.

Considering the discussion above, the Agency believes that in this specific instance attempting to compare the applicants based on the projected acute care bed access of residents of the Wake County service area would be ineffective. Therefore, the result of this analysis is inconclusive.

Access by Underserved Groups

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

“Medically underserved groups, such as medically indigent or low-income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority.”

For access by underserved groups, the applications in this review are compared with respect to two underserved groups: Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

Projected Medicare

The following table shows each applicant’s percentage of gross revenue (charges) projected to be provided to Medicare patients in the applicant’s third full year of operation following completion of their projects, based on the information provided in the applicant’s pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage to services to Medicare patients is the more effective alternative with regard to this comparative factor.

Acute Care Bed Services to Medicare Patients - Project Year 3

Applicant	# of Beds [existing, approved, proposed]	Medicare Gross Revenue	Total Gross Revenue	Medicare % of Total Gross Revenue
Duke Raleigh Hospital	250	\$411,803,304	\$644,121,407	63.93%
UNC REX Hospital	501	\$200,370,741	\$342,062,305	58.58%
WakeMed Cary Hospital	207	\$503,064,542	\$915,707,255	54.94%
WakeMed North Hospital	111	\$220,558,554	\$437,870,487	50.37%

Source: Form F.2 for each applicant.

However, UNC REX Hospital inpatient services proformas, in contrast to the other applications, only includes charges and expenses related to room and board. All other charges relating to the patient’s inpatient visits are allocated to the applicable departments.

Based on the differences in presentation of pro forma financial statements, the number of patients, and the level of care at each facility, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor.

Further, even if the applicants had supplied pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of

patients at each facility, the level of care (new community hospital, existing community hospital, existing tertiary care hospital) at each facility, and the number and types of acute care bed services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

Projected Medicaid

The following table shows each applicant’s percentage of gross revenue (charges) projected to be provided to Medicaid patients in the applicant’s third full year of operation following completion of their projects, based on the information provided in the applicant’s pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage of services to Medicaid patients is the more effective alternative with regard to this comparative factor.

Services to Medicaid Patients: Acute Care Beds Only - Project Year 3

	Medicaid Gross Revenue	Total Gross Revenue	Medicaid % of Total Gross Revenue
Duke Raleigh Hospital	\$51,269,575	\$644,121,407	7.96%
UNC REX Hospital	\$33,847,608	\$342,062,305	9.90%
WakeMed Cary Hospital	\$52,355,913	\$915,707,255	5.72%
WakeMed North Hospital	\$27,210,333	\$437,870,487	6.21%

Source: Form F.2 for each applicant.

However, UNC REX Hospital inpatient services proformas, in contrast to the other applications, only includes charges and expenses related to room and board. All other charges relating to the patient’s inpatient visits are allocated to the applicable departments.

Based on the differences in presentation of pro forma financial statements, the number of patients, and the level of care at each facility, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor.

Further, even if the applicants had supplied pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, the level of care (new community hospital, existing community hospital, existing tertiary care hospital) at each facility, and the number and types of acute care bed services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

Projected Average Net Revenue per Patient

The following table shows the projected average net revenue per patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average net revenue per patient is the more effective alternative with regard to this comparative factor since a lower average may indicate a lower cost to the patient or third-party payor.

Projected Average Net Revenue per Discharge (Inpatient) – 3rd Full FY			
Applicant	Total # of Discharges	Net Revenue*	Av. Net Revenue/Discharge
Duke Raleigh Hospital	12,345	\$211,583,381	\$17,139
UNC REX Hospital	30,072	\$122,870,185	\$4,086
WakeMed Cary Hospital	12,036	\$229,832,082	\$19,095
WakeMed North Hospital	8,965	\$144,370,729	\$16,604

Sources: Forms C and F.2 for each applicant

*Acute Care Bed Services Net Revenue.

However, UNC REX Hospital inpatient services proformas, in contrast to the other applications, only includes charges and expenses related to room and board. All other charges relating to the patient's inpatient visits are allocated to the applicable departments.

Based on the differences in presentation of pro forma financial statements, the number of patients, and the level of care at each facility, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor.

Further, even if the applicants had supplied pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, the level of care (new community hospital, existing community hospital, existing tertiary care hospital) at each facility, and the number and types of acute care bed services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

Projected Average Operating Expense per Patient

The following table shows the projected average operating expense per patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average operating expense per patient is the more effective alternative since a lower average may indicate a lower cost to the patient or third-party payor or a more cost-effective service.

Acute Care Bed Services

Projected Average Operating Expense per Discharge (Inpatient) – 3rd Full FY			
Applicant	Total # of Discharges	Operating Expenses- Acute Care Beds	Av. Operating Expense/Discharge
Duke Raleigh Hospital	12,345	\$309,455,818	\$25,067
UNC REX Hospital	30,072	\$203,846,551	\$6,779
WakeMed Cary Hospital	12,036	\$211,618,368	\$17,582
WakeMed North Hospital	8,965	\$81,112,875	\$9,048

Sources: Forms C and F.2 for each applicant

However, UNC REX Hospital inpatient services proformas, in contrast to the other applications, only includes charges and expenses related to room and board. All other charges relating to the patient's inpatient visits are allocated to the applicable departments.

Based on the differences in presentation of pro forma financial statements, the number of patients, and the level of care at each facility, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor.

Further, even if the applicants had supplied pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, the level of care (new community hospital, existing community hospital, existing tertiary care hospital) at each facility, and the number and types of acute care bed services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

SUMMARY

The following table lists the comparative factors and states which application is the more effective alternative with regard to that particular comparative factor. The comparative factors are listed in the same order they are discussed in the Comparative Analysis which should not be construed to indicate an order of importance.

Comparative Factor	Duke Raleigh	UNC REX	WakeMed Cary	WakeMed North
Conformity with Review Criteria	Yes	Yes	Yes	Yes
Scope of Services	Less Effective	More Effective	Less Effective	Less Effective
Geographic Accessibility	Less Effective	Less Effective	More Effective	More Effective
Historical Utilization	Less Effective	Less Effective	More Effective	More Effective
Competition/Access to New/Alternate Provider	More Effective	Less Effective	Less Effective	Less Effective
Access by Service Area Residents	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Projected Medicare	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Projected Medicaid	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Projected Average Net Revenue per Case	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Projected Average Operating Expense per Case	Inconclusive	Inconclusive	Inconclusive	Inconclusive

- With respect to Conformity with Review Criteria, all of the applicants are an effective alternative. See Comparative Analysis for discussion.
- With respect to Scope of Services, **UNC REX Hospital** offers the more effective alternative. See Comparative Analysis for discussion.
- With respect to Geographic Accessibility, **WakeMed Cary and WakeMed North** offer the more effective alternatives. See Comparative Analysis for discussion.
- With respect to Historical Utilization, **WakeMed Cary and WakeMed North** offer the more effective alternatives. See Comparative Analysis for discussion.
- With respect to Competition/Access to New Provider, **Duke Raleigh Hospital** offers the more

effective alternative. See Comparative Analysis for discussion.

CONCLUSION

G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Healthcare Planning and Certificate of Need Section. Approval of all applications submitted during this review would result in acute care beds in excess of the need determination for the Wake County service area.

All four of the applications submitted to develop acute care beds in Wake County are conforming to all applicable statutory and regulatory review criteria and are approvable standing alone. However, collectively they propose 129 acute care beds while the need determination is for 44 acute care beds; therefore, only 44 acute care beds can be approved.

As discussed above, **WakeMed Cary** was determined to be the most or more effective alternative for two comparative factors:

- Geographic Accessibility
- Historical Utilization

As discussed above, **WakeMed North** was determined to be the more effective alternative for one comparative factor:

- Geographic Accessibility
- Historical Utilization

As discussed above, **Duke Raleigh Hospital** was determined to be the more effective alternative for one comparative factor:

- Competition/Access to a New Provider

As discussed above, **UNC REX Hospital** was determined to be the more effective alternative for one comparative factor:

- Scope of Services

The applications are individually conforming to the need determination in the 2023 SMFP for 44 acute care beds in the Wake County service area as well as individually conforming to all review criteria. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Agency.

Based upon the independent review of each application and the Comparative Analysis, the following applications are conditionally approved as submitted:

- Project ID #J-12418-23/ **WakeMed Cary Hospital**/ Add 9 AC beds

- Project ID #J-12419-23/ **WakeMed North Hospital**/ Add 35 AC beds

And the following applications are denied:

- Project ID #J-12412-23/ **Duke Raleigh Hospital**/ Add 41 AC beds
- Project ID #J-12417-23/ **UNC REX Hospital**/ Add 44 AC beds

Project ID #J-12418-23, WakeMed Cary Hospital is approved subject to the following conditions.

- 1. WakeMed (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop no more than 9 acute care beds at WakeMed Cary Hospital pursuant to the need determination in the 2023 SMFP.**
- 3. Upon completion of this project, WakeMed Cary Hospital shall be licensed for no more than 217 acute care beds (including 8 NICU beds).**
- 4. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. The first progress report shall be due on July 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.**

Project ID #J-12419-23, WakeMed North, is approved subject to the following conditions.

- 1. WakeMed (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop no more than 35 acute care beds at WakeMed North Hospital pursuant to the need determination in the 2023 SMFP.**
- 3. Upon completion of this project WakeMed North Hospital shall be licensed for no more than 112 acute care beds (including 6 NICU beds).**
- 4. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. The first progress report shall be due on July 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 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.**
- 7. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**