

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: June 20, 2024

Findings Date: June 20, 2024

Project Analyst: Chalice L. Moore

Co-Signer: Michael McKillip

Project ID #: O-12503-24

Facility: Novant Health Scotts Hill Medical Center

FID #: 200732

County: New Hanover

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

Project: Cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital)

REVIEW CRITERIA

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

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

C

Novant Health New Hanover Regional Medical Center, LLC and Novant Health, Inc. (hereinafter referred to as “the applicant” or NH Scotts Hill) proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

A certificate of need was issued on February 9, 2021, for Project I.D. #O-11497-20 to develop a new 66-bed acute care hospital, NH Scotts Hill, with an authorized capital cost of \$209,946,248. The current application proposes a capital cost increase of \$84,917,237 (a 40% increase) over the previously approved capital expenditure for a total combined capital expenditure of \$294,863,485. The applicant states that this cost overrun application is necessary due to increased costs, primarily related to construction, since the issuance of the

original certificate of need. The applicant proposes no material change in scope from the originally approved project in this application.

Need Determination

There were no need determinations in the 2020 State Medical Facilities Plan (SMFP) applicable to Project ID #F-12010-20 and the applicant proposes no changes in the current application which would affect that determination. The applicant does not propose to increase the number of licensed beds in any category, add any new health services, or acquire equipment for which there is a need determination in the 2024 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

Project ID #O-11947-20 was found to be consistent with *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities* as published in the 2020 SMFP.

For this review, *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*, as published in the 2024 SMFP, also applies.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2024 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 for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

The capital expenditure of the project is greater than \$4 million. In Section B, page 26-27, the applicant describes its plan to assure improved energy efficacy and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion because the applicant adequately demonstrates that the proposal is consistent with Policy GEN-4.

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

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

A certificate of need was issued on February 9, 2021, for Project I.D. #O-11497-20 to develop a new 66-bed acute care hospital, NH Scotts Hill with an authorized capital cost of \$209,946,248. The current application proposes a capital cost increase of \$84,917,237 (a 40% increase) over the previously approved capital expenditure for a total combined capital expenditure of \$294,863,485. The applicant states that this cost overrun application is necessary due to increased costs, primarily related to construction, since the issuance of the original certificate of need. The applicant proposes no material change in scope from the originally approved project in this application.

Patient Origin

In Section C, page 44, the applicant states, the cost overrun application does not involve any new service components or clinical offerings. Therefore, the applicant expects the same patient origin percentages as was projected in Project ID # O-11947-20. The tables below project the number of patients for the various service components.

| NH Scotts Hill Medical Center- Acute Beds | | | | | | |
|--|---|----------------|---|---------------|---|---------------|
| | 1st Full FY CY 2027 | | 2nd Full FY CY 2028 | | 3rd Full FY CY 2029 | |
| County | # Patients | % of Total | # Patients | % of Total | # Patients | % of Total |
| New Hanover | 3,420 | 70.02% | 3,452 | 69.95% | 3,485 | 69.88% |
| Pender | 765 | 15.67% | 776 | 15.73% | 788 | 15.80% |
| Brunswick | 242 | 4.95% | 245 | 4.96% | 247 | 4.96% |
| Onslow | 195 | 4.00% | 197 | 4.00% | 200 | 4.01% |
| Columbus | 18 | 0.36% | 18 | 0.36% | 18 | 0.36% |
| Other | 244 | 5.00% | 247 | 5.00% | 249 | 5.00% |
| Total* | 4,885 | 100.00% | 4,935 | 100.0% | 4,986 | 100.0% |

Source: Section C, 45

| NH Scotts Hill Medical Center- GI/Endoscopy Rooms | | | | | | |
|--|---|---------------|---|---------------|---|---------------|
| | 1st Full FY CY 2027 | | 2nd Full FY CY 2028 | | 3rd Full FY CY 2029 | |
| County | # Patients | % of Total | # Patients | % of Total | # Patients | % of Total |
| New Hanover | 2,194 | 70.02% | 2,214 | 69.95% | 2,235 | 69.88% |
| Pender | 491 | 15.67% | 498 | 15.73% | 505 | 15.80% |
| Brunswick | 155 | 4.95% | 157 | 4.96% | 159 | 4.96% |
| Onslow | 125 | 4.00% | 127 | 4.00% | 128 | 4.01% |
| Columbus | 11 | 0.36% | 11 | 0.36% | 12 | 0.36% |
| Other | 157 | 5.00% | 158 | 5.00% | 160 | 5.00% |
| Total* | 3,133 | 100.0% | 3,166 | 100.0% | 3,198 | 100.0% |

Source: Section C, 45

| NH Scotts Hill Medical Center- Operating Rooms | | | | | | |
|---|---|---------------|---|---------------|---|----------------|
| | 1st Full FY CY 2027 | | 2nd Full FY CY 2028 | | 3rd Full FY CY 2029 | |
| County | # Patients | % of Total | # Patients | % of Total | # Patients | % of Total |
| New Hanover | 6,517 | 70.02% | 6,578 | 69.95% | 6,639 | 69.88% |
| Pender | 1,458 | 15.67% | 1,479 | 15.73% | 1,501 | 15.80% |
| Brunswick | 461 | 4.95% | 466 | 4.96% | 471 | 4.96% |
| Onslow | 372 | 4.00% | 376 | 4.00% | 381 | 4.01% |
| Columbus | 34 | 0.36% | 34 | 0.36% | 34 | 0.36% |
| Other | 465 | 5.00% | 470 | 5.00% | 475 | 5.00% |
| Total* | 9,307 | 100.0% | 9,404 | 100.0% | 9,501 | 100.00% |

Section C, page 46

| NH Scotts Hill Medical Center- Emergency Department | | | | | | |
|--|---|------------|---|------------|---|------------|
| | 1st Full FY CY 2027 | | 2nd Full FY CY 2028 | | 3rd Full FY CY 2029 | |
| County | # Patients | % of Total | # Patients | % of Total | # Patients | % of Total |
| New Hanover | 29,314 | 70.02% | 29,589 | 69.95% | 29,866 | 69.88% |
| Pender | 6,560 | 15.67% | 6,654 | 15.73% | 6,753 | 15.80% |
| Brunswick | 2,072 | 4.95% | 2,098 | 4.96% | 2,120 | 4.96% |
| Onslow | 1,675 | 4.00% | 1,692 | 4.00% | 1,740 | 4.01% |
| Columbus | 151 | 0.36% | 152 | 0.36% | 154 | 0.36% |
| Other | 2,093 | 5.00% | 2,115 | 5.00% | 2,137 | 5.00% |
| Total* | 41,866 | 100.0% | 42,300 | 100.00% | 42,739 | 100.0% |

Section C, page 46

| NH Scotts Hill Medical Center- Entire Facility (All Services) | | | | | | |
|--|---|------------|---|------------|---|------------|
| | 1st Full FY CY 2027 | | 2nd Full FY CY 2028 | | 3rd Full FY CY 2029 | |
| County | # Patients | % of Total | # Patients | % of Total | # Patients | % of Total |
| New Hanover | 84,266 | 70.02% | 85,055 | 69.95% | 85,851 | 69.88% |
| Pender | 18,858 | 15.67% | 19,127 | 15.73% | 19,411 | 15.80% |
| Brunswick | 5,957 | 4.95% | 6,031 | 4.96% | 6,094 | 4.96% |
| Onslow | 4,814 | 4.00% | 4,864 | 4.00% | 4,926 | 4.01% |
| Columbus | 433 | 0.36% | 438 | 0.36% | 442 | 0.36% |
| Other | 6,017 | 5.00% | 6,080 | 5.00% | 6,143 | 5.00% |
| Total* | 120,346 | 100.0% | 121,594 | 100.0% | 122,855 | 100.0% |

Section C, page 46

The 2020 SMFP defined the service area for acute care beds as “. . . *the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1 in the 2020 SMFP showed New Hanover County as its own acute care bed service area. The 2020 SMFP defined the service area for ORs as “. . . *the service area in which the operating room is located. The operating room service areas are the single and multicounty groupings shown in Figure 6.1.*” Figure 6.1 in the 2020 SMFP showed New Hanover County as its own OR service area. The service areas for acute care beds and ORs as defined in the 2024 SMFP are the same as the definition in the 2020 SMFP. The facility will be located in New Hanover County; thus, the service area for this facility is New Hanover County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 44, the applicant states it does not project any changes to patient origin. In Project ID # O-11947-20, the agency determined the applicant adequately identified the population to be served by the proposed project. No changes are proposed in this application which would affect that determination.

Analysis of Need

In Section Q, Form F.1b, the applicant provides a summary of the capital cost approved in Project ID # O-11947-20, the changes proposed in this application, and the new total projected capital cost, as shown in the table below.

| | Previously Approved Capital Costs (Project ID# O-11947-20) | Total Combined Capital Costs | Proposed Changes in Capital Cost Project ID # O-12503-24 |
|-----------------------------------|---|---|---|
| Construction/Renovation Contracts | \$136,429,298 | \$213,877,871 | \$77,448,573 |
| Architect/Engineering Fees | \$11,559,600 | \$13,733,891 | \$2,174,291 |
| Medical Equipment | \$20,505,753 | \$22,507,895 | \$2,002,142 |
| Non-Medical Equipment | \$7,550,531 | \$10,607,465 | \$3,056,934 |
| Furniture | \$5,684,358 | \$6,745,736 | \$1,061,378 |
| Consultant Fees (CON preparation) | \$1,392,000 | \$100,000 | (\$1,292,000) |
| Financing Costs | \$1,560,805 | \$2,139,801 | \$578,996 |
| Interest during Construction | \$13,284,855 | \$18,804,518 | \$5,519,663 |
| Other | \$11,979,048 | \$6,346,309 | (\$5,632,739) |
| Total Capital Cost | \$209,946,248 | \$294,863,485 | \$84,917,237 |

Source: Section Q, Form F.1b

In Section C, pages 42-44, the applicant explains why the proposed increase in capital cost is necessary to develop the proposed project:

- Construction/Renovation Contracts increased by \$77,448,573 from the approved project. Most of the construction cost increase amount can be attributed to construction cost inflation since the application was filed in September 2020. The cost of construction of new health facility buildings increased 31.9% between September 2020 and February 2024.
- Architect/Engineering Fees increased by \$2,174,291 due to the increased construction cost, as the fees are a percentage of the construction cost.
- Medical Equipment increased by \$2,002,142 due to inflation since the original application was submitted in 2020. These costs also increased due to the additional observation rooms and ED exam rooms.
- Non-Medical Equipment costs increased by \$3,056,934 due to inflation and to the addition of Novant Health standard technology.
- Furniture costs increased by \$1,061,378 due to inflation since the original application was submitted in 2020. These costs also increased due to the additional observation rooms and ED exam rooms.
- Consultant Fees costs decreased by \$1,292,000 due to reassessed need for consultation services.
- Financing costs increased by \$578,996. The change is due to the increase in total overall costs, and the accompanying increase in financing costs.

- Interest During Construction costs increased by \$5,519,663 which is due to the total project costs increasing, and the resulting interest on any financing that will be incurred during the construction period.
- Other (Contingency & Owner Cost) costs decreased by \$5,632,739 due to a more accurate analysis of contingency needs and owner costs.

The information is reasonable and adequately supported based on the following:

- The applicant adequately explains why additional costs are necessary to develop the proposed project.
- The applicant provides line drawings of the proposed changes in Exhibit 9.

Projected Utilization

In Section C.8, page 48, the applicant states that Novant Health has provided revised utilization projections to account for changes in the first three project years. In Project ID # O-11947-20, the Agency determined the applicant's utilization projections were reasonable and adequately supported. The applicant proposes no changes in the current application which would affect that determination.

Access to Medically Underserved Groups

The application for Project ID# Q-12251-22 adequately demonstrated the extent to which all residents of the area, including underserved groups, were likely to have access to the proposed services. The applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital). The applicant does not propose to reduce a service, eliminate a service, or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

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

CA

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

In Section E, page 31, the applicant describes the alternatives it considered to meet the need for the proposal as follows:

- **Cease development of Novant Health Scotts Hill Medical Center-** The applicant states stopping the development of NH Scotts Hill would mean maintaining the status quo regarding hospital campuses in New Hanover County. Section C of the previously approved application showed area population growth and capacity constraints at NHHHRMC's 17th Street Main Campus drive the need for both additional acute care beds in New Hanover County and an alternative point of care that will improve geographic access for many area residents. Without the NH Scotts Hill campus, geographic access to healthcare would not be improved for patients in the Scotts Hill area, those in Pender County, and those who prefer not to access care in downtown Wilmington. Additionally, if construction stopped, Novant Health would lose the time and economic investment it has made so far. Accordingly, the applicant states, ceasing development is not an option.
- **Proceed with development of Novant Health Scotts Hill Medical Center without the expanded number of observation beds and ED exam rooms.** The Scotts Hill campus project was approved before Novant Health acquired New Hanover Regional Medical Center. After the application was submitted, Novant Health acquired New Hanover Regional Medical Center (now Novant Health New Hanover Regional Medical Center or "NHHHRMC"). The Novant Health Design and Construction team has revised the floor plans to incorporate Novant Health's standard hospital design elements. Novant Health included these elements in this cost overrun application to ensure NH Scotts Hill Medical Center can meet the needs of service area residents for years to come. The applicant states that not including ED exam rooms and observation beds could quickly result in ED overcrowding and require expensive construction soon after opening.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need for the project for all the reasons described above.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 1. Novant Health New Hanover Regional Medical Center, LLC. and Novant Health, Inc. (hereinafter referred to as certificate holder) shall materially comply with the representations made in this application and representations made in Project ID # O-11947-20. Where representations conflict, the applicant shall materially comply with the last made representation.**
- 2. The total combined capital expenditure for this project and Project ID # O-11947-20 is \$294,863,485, an increase of \$84,917,237 over the capital expenditure of \$209,946,248 previously approved in Project ID # O-11947-20.**
- 3. 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.**
- 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 November 1, 2024.**
- 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 6. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**

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

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

Capital and Working Capital Costs

A certificate of need was issued on February 9, 2021, for Project I.D. #O-11497-20 to develop a new 66-bed acute care hospital, NH Scotts Hill with an authorized capital cost of \$209,946,248. The current application proposes a capital cost increase of \$84,917,237 (a 40% increase) over the previously approved capital expenditure for a total combined capital expenditure of \$294,863,485. The applicant states that this cost overrun application is necessary due to increased costs, primarily related to construction, since the issuance of the original certificate of need. The applicant proposes no material change in scope from the originally approved project in this application.

The following table compares the capital cost approved in Project ID # O-11947-20, the changes proposed in this application, and the new projected capital costs, as reported on Form F.1b in Section Q.

| | Previously Approved Capital Costs | Total Combined Capital Costs | Proposed Changes in Capital Cost |
|-----------------------------------|--------------------------------------|---------------------------------|-------------------------------------|
| Construction/Renovation Contracts | \$136,429,298 | \$213,877,871 | \$77,448,573 |
| Architect/Engineering Fees | \$11,559,600 | \$13,733,891 | \$2,174,291 |
| Medical Equipment | \$20,505,753 | \$22,507,895 | \$2,002,142 |
| Non-Medical Equipment | \$7,550,531 | \$10,607,465 | \$3,056,934 |
| Furniture | \$5,684,358 | \$6,745,736 | \$1,061,378 |
| Consultant Fees (CON preparation) | \$1,392,000 | \$100,000 | (\$1,292,000) |
| Financing Costs | \$1,560,805 | \$2,139,801 | \$578,996 |
| Interest during Construction | \$13,284,855 | \$18,804,518 | \$5,519,663 |
| Other | \$11,979,048 | \$6,346,309 | (\$5,632,739) |
| Total Capital Cost | \$209,946,248 | \$294,863,485 | \$84,917,237 |

Source: Section Q, Form F.1b

In Section C, pages 42-44, the applicant states that the cost overrun application is necessary due to increased costs, related to construction, since the issuance of the original certificate of need.

In Project ID #O-11947-20, the applicant previously projected \$9,939,159 for start-up expenses and initial operating expenses. In this application, the applicant projects total working capital of \$13,205,398, which is an increase of \$3,266,239.

The information provided by the applicant is reasonable and adequately supported based on the following:

- The applicant provides detailed explanations about what the proposed increases in capital costs are to justify the proposed increases.
- The applicant considers the impact of factors such as inflation and interest costs due to the increased timetable to develop the proposed project.

Availability of Funds

In Section F.2, page 63, the applicant states that the capital cost will be funded as shown in the table below:

| Sources of Capital Cost Financing | |
|--|---------------------|
| Type | |
| Loans | \$0 |
| Accumulated reserves or OE * | \$84,917,237 |
| Bonds | \$0 |
| Other (Specify) | \$0 |
| Total Financing | \$84,917,237 |

* OE = Owner’s Equity

Exhibit F-2.1 contains a letter dated April 4, 2024, from the Senior Vice President Operational, Finance and Revenue Novant Health, Inc. SVP documenting its intention to fund this project.

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

- Exhibit F.2.1 contains a letter dated April 4, 2024, from Novant Health, Inc. obligating to fund this project.
- The applicant provides a copy of the combined audited financial statements of Novant Health, Inc. in Exhibit F2.2 documenting that the applicant has adequate resources to fund to the capital cost of the proposed project

Financial Feasibility

In Section Q, Form F.2, the applicant projects revenues will exceed operating expenses in each of the first three operating years as shown in the table below:

| Revenues and Operating Expenses | | | |
|--|----------------------|----------------------|----------------------|
| NH Scotts Hill | FY 1 (CY2027) | FY 2 (CY2028) | FY 3 (CY2029) |
| Total Net Revenue | \$191,138,472 | \$199,428,945 | \$208,078,922 |
| Total Operating Costs | \$178,995,788 | \$185,593,984 | \$192,017,944 |
| Net Income | \$12,142,684 | \$13,384,961 | \$16,060,978 |

Source: Section Q, Form F.2

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

- The applicant accounts for the increase in projected operating expenses.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital costs and working capital 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 and working 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.

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

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

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

In Project ID # O-11947-20, the Agency found, the applicant adequately demonstrated that the proposal would not result in unnecessary duplication of existing or approved hospitals in New Hanover County. The applicant does not propose any changes in this cost overrun application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

The application for Project ID #O-11947-20 adequately demonstrated the availability of resources, including health manpower and management personnel to provide the proposed services, and no changes are proposed in this application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

The application for Project ID #O=11947-20 adequately demonstrated the availability of the ancillary and support services necessary to the provision of the proposed services and adequately demonstrated the proposed services would be coordinated with the existing healthcare system, and no changes are proposed in this application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

- (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

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

other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

A certificate of need was issued on February 9, 2021, for Project I.D. #O-11497-20 to develop a new 66-bed acute care hospital, NH Scotts Hill with an authorized capital cost of \$209,946,248. The current application proposes a capital cost increase of \$84,917,237 (a 40% increase) over the previously approved capital expenditure for a total combined capital expenditure of \$294,863,485. The applicant states that this cost overrun application is necessary due to increased costs, primarily related to construction, since the issuance of the original certificate of need. The applicant proposes no material change in scope from the originally approved project in this application.

On page 76, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative. The applicant states:

NH considered two alternatives to developing the proposed project. These alternatives included: 1) stop development of Novant Health Scotts Hill Medical Center 2) move forward with development of Novant Health Scotts Hill Medical Center without the change in design that results in the expanded number of observation beds and ED exam rooms. As discussed in Section E, question 2.b, neither of these alternatives would allow NH to meet the need of service area residents for years to come. This proposal includes the most cost-effective manner to construct NH Scotts Hill while still putting patient access and care first.

In Section K, page 76, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant is not proposing to change the scope of the construction or design previously proposed in Project ID # O-11947-20.
- The applicant adequately explains why the increased cost is necessary for the proposed project.

In Section K, page 76, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant is not proposing to change the scope of the project as proposed in Project ID # O-11947-20.

- Project ID # O-11947-20 was conforming with this criterion and this application does not propose any changes which would affect that determination.

In Section B, pages 29-30, the applicant identifies and describes any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... 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

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital). Project ID # O-11947-20 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital). Project ID ## O-11947-20 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- (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

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital). Project ID ## O-11947-20 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- (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.

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The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital). Project ID ## O-11947-20 was conforming to this criterion

and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital). Project ID # O-11947-20 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- (15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.

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

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

The application for Project ID# O-11947-20 adequately demonstrated the expected effects of the proposed services on competition and how any enhanced competition would have a positive

impact on cost-effectiveness, quality, and access to the services proposed. The applicant proposes no changes in this application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital).

In Section Q, Form O, the applicant identifies the hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 18 such facilities located in North Carolina.

In Section O, page 90, the applicant states that, during the 18 months immediately preceding submission of the application, no incidents related to quality of care at any of its facilities. After reviewing and considering information provided by the applicant and the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 18 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

NA

The applicant proposes a cost overrun for Project ID # O-11947-20 (Develop a new 66-bed acute care hospital). There are no administrative rules applicable to the proposed project. Therefore, this criterion is not applicable to this review.