

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: May 28, 2024

Findings Date: May 28, 2024

Project Analyst: Crystal Kearney

Co-Signer: Lisa Pittman

Project ID #: D-12474-24

Facility: Alleghany Memorial Hospital

FID #: 942935

County: Alleghany

Applicant: Alleghany County Memorial Hospital, Inc.

Project: Develop no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion

### 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

Alleghany County Memorial Hospital, Inc. (hereinafter “AMH” or “the applicant”) proposes to add 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

#### Need Determination

Chapter 5 of the 2024 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care beds in North Carolina by service area. The State Health Coordinating Council (SHCC) approved an adjusted need determination for three acute care beds in the Alleghany County service area.

Only certain persons can be approved to develop new acute care beds in a hospital. On page 34, the 2024 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; and*
- 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 (CMS) listed below... [listed on pages 34-35 of the 2024 SFMP].”*

The applicant does not propose to develop more acute care beds than are determined to be needed in Alleghany County. In Section B, page 25, the applicant adequately demonstrates that it meets the requirements imposed on persons proposing to operate additional acute care beds in a hospital as outlined in Chapter 5 of the 2024 SMFP.

### **Policies**

There is one policy in the 2024 SMFP which is applicable to this review.

*Policy GEN-3: Basic Principles*, on page 29 of the 2024 SMFP, states:

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

In Section B, pages 27- 28, the applicant explains why it believes its application is consistent with Policy GEN-3. On pages 27-28, the applicant states:

*“AMH's proposed project will 1) promote safety and quality in the delivery of the proposed services, 2) promote equitable access in the delivery of care, and 3) maximize healthcare value for resources expended in the delivery of services. The proposed project will increase local access to acute care services for residents of Alleghany County and surrounding communities.”*

### **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 following:

- The applicant does not propose to develop more acute care beds than are determined to be needed in Alleghany County and meets the requirements imposed on persons proposing to add additional acute care beds to a hospital as described in Chapter 5 of the 2024 SMFP.
- 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 Alleghany County.
  - The applicant adequately documents how the project will promote equitable access to acute care bed services in Alleghany County.
  - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

(2) Repealed effective July 1, 1987.

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

C

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

On page 29, the applicant states,

*“Pursuant to the adjusted need determination for three additional acute care beds in the 2024 State Medical Facilities Plan (SMFP), Alleghany Memorial Hospital proposes to develop three (3) additional acute care beds (for a total acute care bed inventory of six) at its existing licensed hospital facility in Alleghany County. The additional acute care beds will operate under the AMH hospital license issued by the State of North Carolina (and thus will be operated compliant with all the standards included in the 10A NCAC 13B Licensing of Hospital rules) and will also be certified by the Centers for Medicare and Medicaid Services (CMS) and accredited by The Joint Commission (TJC). AMH will*

*operate the acute care beds 24/7/365. This CON application does not involve any other components (e.g. no additional operating rooms or imaging equipment), and in support of the proposed acute care bed project, the Sparta hospital facility will continue to have in place all necessary operating rooms, imaging equipment, and ancillary and support services (including laboratory, pharmacy, physical/speech/occupational therapies, respiratory therapy, dietary & nutritional services, laundry, housekeeping, administration, and facility and equipment maintenance)”.*

**Patient Origin**

On page 31, the 2024 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Alleghany County as its own acute care bed service area. Thus, the service area for this facility is Alleghany County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin, for acute care beds.

<b>AMH Current &amp; Projected Patient Origin – Acute Care Beds</b>								
<b>County</b>	<b>Last FY (FFY 2023)</b>		<b>FY 1 (FFY 2026)</b>		<b>FY 2 (FFY 2027)</b>		<b>FY 3 (FFY 2028)</b>	
	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>
Alleghany	97	65.5%	731	71.5%	919	75.7%	1,107	78.7%
Forsyth	3	2.0%	17	1.7%	17	1.4%	17	1.2%
Surry	2	1.4%	12	1.2%	12	1.0%	12	0.9%
Wilkes	1	0.7%	6	0.6%	6	0.5%	6	0.4%
Other NC Counties	1	0.7%	6	0.6%	6	0.5%	6	0.4%
Other States	44	29.7%	250	24.5%	255	21.0%	259	18.4%
<b>Total</b>	<b>148</b>	<b>100.0%</b>	<b>1,022</b>	<b>100.0%</b>	<b>1,215</b>	<b>100.0%</b>	<b>1,408</b>	<b>100.0%</b>

Source: Section C, pages 32 and 33

\*Other North Carolina counties and other states

In Section C, page 33, the applicant provides the assumptions and methodology used to project patient origin. The applicant’s assumptions are reasonable and adequately supported based on the projections and are consistent with historical patient origin.

The following table illustrates the current and projected patient origin for the entire facility or campus.

<b>AMH Current &amp; Projected Patient Origin – Entire Facility or Campus</b>								
County	Last FY (FFY 2023)		FY 1 (FFY 2026)		FY 2 (FFY 2027)		FY 3 (FFY 2028)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Alleghany	15,917	76.0%	15,216	72.6%	15,222	72.6%	15,229	72.6%
Wilkes	276	1.3%	276	1.3%	276	1.3%	277	1.3%
Surry	163	0.8%	163	0.8%	163	0.8%	163	0.8%
Forsyth	151	0.7%	151	0.7%	151	0.7%	151	0.7%
Other NC Counties	720	3.4%	721	3.4%	721	3.4%	722	3.4%
Other States	4,430	21.2%	4436	21.2%	4437	21.2%	4,439	21.2%
<b>Total</b>	<b>20,936</b>	<b>100.0%</b>	<b>20,962</b>	<b>100.0%</b>	<b>20,971</b>	<b>100.0%</b>	<b>20,980</b>	<b>100.0%</b>

Source: Section C, pages 32 and 34

\*Other North Carolina counties and other states

In Section C, page 34, the applicant states,

*“AMH developed the projected patient origin for the entire facility by identifying the FFY2023 patient origin for hospital services (inpatient and outpatient) and increasing the utilization annually by the projected Alleghany County population growth rate of 0.04%.”*

The applicant’s assumptions are reasonable and adequately supported based on the projected patient origin for the entire facility by identifying the FFY2023 patient origin for hospital services (inpatient and outpatient) and increasing the utilization annually by the projected Alleghany County population growth rate of 0.04%.

**Analysis of Need**

In Section C, page 36, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states the three additional beds in Alleghany County are necessary to support the needs of the local community. Based on the following factors:
  - The need to enhance access to care for medically underserved rural residents which will complement the local primary/specialty care clinic network.
  - The need to support a growing and aging population in Alleghany County.
  - The need to improve Alleghany County health status, increasing inpatient census at AMH and lowering the need for out-migration for acute care services by Alleghany County residents.
  - The ongoing need for availability of skilled nursing care via swing beds in Alleghany County.
  - The imperative to maintain the financial viability and continuous operation of AMH, which serves as the sole acute care hospital in the county.

- The applicant states development of additional acute care beds at AMH will improve access to healthcare in Alleghany County, by reducing barriers to access to care.

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

- The applicant uses verifiable historical data from AMH to support its belief that it needs additional acute care bed capacity at AMH.
- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth in the area and the projected growth of the population age 65 and older in the area.
- The applicant provides evidence of challenges in patient care it experiences as the result of existing capacity constraints.

Projected Utilization

On Form C.1b in Section Q, the applicant provides historical and projected utilization as illustrated in the following table(s).

AMH	Historical	Interim	Interim
	Last FY 2023	Full FY 2024	Full FY 2025
<b>Acute Care Hospital All Beds</b>			
# of Beds	3	3	3
# of Admissions	148	220	224
# of Patients Days	603	856	870
ALOS**	4.07	3.88	3.88
Occupancy Rate	55.1%	78.2%	79.4%

Source: Section Q, page 114

\*\*ALOS = Average Length of Stay (in days)

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

- On page 51, the applicant states it “*conservatively projected utilization, anticipating that the population aging trend and geographic accessibility/reduced out-migration previously described in Section C will drive continuing and increasing utilization of the hospital acute care beds.*”

In Section Q, pages 116 – 121, *Form C Assumptions and Methodology*, the applicant provides the assumptions and methodology used in its projections, summarized as follows:

Step 1: Identify Recent Historical AMH Acute Care Patient Days: The applicant uses the historical AMH acute patient days of care from FFY2019 through FFY 2024. The acute patient days of care increased at a five -year compound annual growth rate (CAGR) of 1.65%.

Step 2: Project AMH Acute Care Patient Days: The applicant projects its base acute care patient days by increasing the patient days annually through the third project year (FFY2028 or October 2027 – September 2028), at the historical 5-year CAGR of 1.65%.

Step 3: Project Alleghany County Resident Out-Migration for Acute Care Bed Services: The applicant states that many Allegheny County residents travel to another hospital outside of Alleghany County.

The applicant states that the growth of resident out -migration coincides with the AMH hospital renovation project and decreased availability of acute care beds at AMH. The applicant states that to project the expected out-migration of Alleghany County residents for acute care beds services through the third project year of FFY2028, AMH applied the projected county population growth 5-year CAGR of 0.04%. The 0.04% annual growth rate is reasonable and conservative considering that the projected population growth rate for Alleghany County's age 65+ population is 0.22%.

Step 4: Project AMH Recapture of Alleghany County Resident Out-Migration: The applicant states by doubling its acute care bed capacity from three to six beds it will be able to recapture some of the out-migration for acute care beds services. Some Alleghany County residents will continue to be admitted to larger out of county hospitals offering more complex specialty inpatient care that is not available at AMH.

The applicant states that for the first project year (FFY2026) after the addition of the three acute care beds, AMH projects to recapture 5% of the projected out-migrations. For the second project year, AMH projects a recapture rate of 10%, and for third project year, AMH projects a recapture rate of 15%.

Step 5: Project AMH Out-Migration Recapture Acute Days of Care: AMH projected the acute days of care associated with the projected recapture of Alleghany County residents (from Step 4).

The applicant states that the most recent three-year average length of acute care stay is 3.88 days. AMH multiplied this ALOS by the projected recaptured Alleghany County residents summarized in Step 4, to calculate the projected recaptured out-migration acute days of care.

Step 6: Project Total Combine Acute Days of Care at AMH: The applicant combined the projected base acute days of care (Step 2) and the projected recaptured acute days of care (Step 5) to drive the total projected acute days of care at AMH through the third project year.

Step 7: Project Swing Beds Days of Care at AMH: The applicant states that as a critical access hospital, it is permitted to use its acute care beds as swing beds to care for both acute and post-acute patients. AMH averaged 40.4 post-acute days of care annually during the past five years.

For the initial three project years, AMH projects an increase in post-acute days of care, due to the increased acute care bed inventory and bed availability. For FFY 2026 – FFY2028, AMH projects annual 50% increases in swing bed days.

Also, Allegheny County has only one skilled nursing facility, which historically has experienced high occupancy which limited availability of accommodating post-acute care days. During FFY2022, Alleghany Center had an average occupancy rate of 90%.

Step 8: Project Total Combined AMH Acute Care Bed Days of Care: AMH combined the projected acute days of care (Step 6) with the projected swing bed (post-acute) days of care (Step 7) to derive the total projected AMH acute care bed patient days of care through the third project year.

AMH projects the six-bed facility will have an acute care bed occupancy rate of 70.5 % in the third project year. This exceeds the ~~.3803~~ acute care hospital bed Performance Standard .3803 (6)(a) of 66.7% applicable to AMH.

The table below summarizes the assumptions and methodology used to project acute care bed utilization at the AMH.

<b>AMH Projected Health Service Facility Bed Utilization upon Project Completion</b>			
	<b>CY 2026</b>	<b>CY 2027</b>	<b>CY 2028</b>
<b>Acute Care Hospital- All Beds</b>			
# of Beds, including all types of beds	6	6	6
# of Admissions	279	336	398
# of Patient Days	1,083	1,306	1,544
Average Length of Stay (ALOS)	3.88	3.88	3.88
Occupancy Rate	49.4%	59.6%	70.5%

**Source:** Section Q, Form C 1b, page 115

As shown in the table above, the applicant projects utilization of the six-bed facility will have an occupancy rate of 70.5% and an average length of stay of 3.88 days during its third full fiscal year following project completion.

Projected utilization is reasonably and adequately supported.

**Access to Medically Underserved Groups**

In Section C, page 54, the applicant states:

*“AMH will continue to provide hospital services to all persons in need of medical care. Consistent with its historical utilization, all Alleghany County residents (plus residents of other counties), including low-income persons, racial and ethnic minorities, women, handicapped persons, the elderly, Medicare and Medicaid beneficiaries, and other*



*underserved groups, will continue to have access to AMH acute care beds and services, as clinically appropriate.”*

The applicant provides the estimated percentage of total patients for each medically underserved group during the third full fiscal year, as shown in the following table.

Medically Underserved Groups	Estimated % of Total Patients in FY 3
Low-income persons	15.6%
Racial and ethnic minorities	4.4%
Women	59.4%
Persons with disabilities	13.5%
Persons 65 and older	80.6%
Medicare beneficiaries	56.0%
Medicaid recipients	7.0%

Source: Section C, page 54

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

- The applicant provides a statement saying, *“it will continue to provide hospital services to all persons in need of medical care.”*
- The applicant provides documentation of its existing policies regarding non-discrimination and financial access in Exhibit C.6, page 105.

### **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 does not propose to reduce a service, eliminate a service, or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

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

CA

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

In Section E, pages 63 – 64, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- **Maintain Status Quo:** The applicant states AMH the 2024 SMFP includes a need determination for three additional acute care beds in Alleghany County. Alleghany County is a rural county, with an aging population, located remotely from other acute care hospitals. Travel time to the closest hospitals outside the county (Hugh Chatham Memorial Hospital or Wilkes Regional Medical Center), ranges from 40 - 55 minutes, and can be much longer and more difficult during inclement mountain weather. Maintaining the status quo would not be responsive to the needs of this older, rural and medically underserved population; therefore, AMH stated this was not an effective alternative.
- **Propose a Different Number of Acute Care Beds:** The applicant states that it also considered seeking a larger number of acute care beds than it proposes to develop in this application. AMH states there is sufficient volume of Alleghany County residents being admitted to acute care facilities to perhaps have justified a SHCC request for a larger acute care bed inventory in Alleghany County. However, after close review of several data points, including patient days for patients served at AMH, patient days for all Alleghany County residents at all North Carolina hospitals, and the projected Alleghany County population growth and aging, AMH concluded that at this time the bed need in the community is equal to six acute care beds, resulting in the 2023 adjusted need petition
- **Proposed Project:** The applicant states proposing developing three additional beds will increase access to care for the rural residents of Alleghany County.

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

- The 2024 SMFP has a determination for 3 acute beds in Alleghany County.
- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria. Therefore, the application can be approved.

## **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. The Alleghany County Memorial Hospital (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 3 new acute care beds at Alleghany Memorial Hospital in Sparta.**
- 3. Upon completion of this project, Alleghany Memorial Hospital shall be licensed for no more than 6 acute care beds, excluding any Level II, III, or IV 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 December 1, 2024.**
- 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**

**6. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**

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

C

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

**Capital and Working Capital Costs**

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

<b>Form F.1a Capital Cost</b>	<b>Alleghany County Memorial Hospital, Inc.</b>
Construction /Renovation Contract(s)	\$469,397
Architect/Engineering Fees	\$55,540
Consultant Fees (CON -related)	\$59,675
Other (IT, Security, internal allocation)	\$63,673
<b>Total</b>	<b>\$648,285</b>

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 based on the following:

- The applicant provides assumptions about costs included in the calculation of each line item in the projected capital cost.
- The applicant states the projections are based on the applicant’s history or the project architect’s history in developing similar projects.
- In Exhibit F.1, the applicant provides an architect’s facility and associated project cost estimate letter.
- The applicant’s capital cost projection is also informed by AH, AHWFB, and HCMH’s experience in development and maintenance of hospital facilities in North Carolina.

In Section F, page 68, the applicant states there will be no start-up costs or initial operating expenses because the project does not anticipate loan financing of the project capital cost. This information is reasonable and adequately supported because AMH is an existing and operational acute care hospital, and therefore the project does not involve any start-up costs or initial operating costs.

### **Availability of Funds**

In Section F, page 66, the applicant states the entire projected capital expenditure of \$648,285 will be funded with Alleghany County Memorial Hospital, Inc.'s accumulated reserves.

AHWFB and Hugh Chatham Health (HCH) are parent affiliates of AMH, and each are planning to provide up to \$350,000 (combined \$700,000) to AMH to facilitate development of the project.

In Exhibit F.2, the applicant provides a letter from the Chief Administrative Officer for Alleghany Health, Senior Vice President and Chief Financial Officer for Atrium Health Wake Forest, and the Chief Executive Officer of Hugh Chatham Health stating that the applicant has sufficient accumulated reserves to fund the projected capital cost and committing to providing that funding to develop the proposed project. Exhibit 2 also contains the Hugh Chatham Memorial Hospital, Inc. and Affiliates Consolidated Financial Statements for the year ending September 30, 2022, which indicates Hugh Chatham had adequate cash and assets to fund its share of the capital needs of the proposed project.

Exhibit F.2 contains a copy of Atrium Health Enterprise Combined Financial Statements and Other Financial Information for the year ending December 31, 2022. According to the Basic Financial Statements, as of December 31, 2022, Atrium had adequate cash and assets to fund all the capital needs of the proposed project.

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

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

### **Financial Feasibility**

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

Revenues and Operating Expenses – Alleghany Memorial Hospital	FY 1 (CY 2026)	FY 2 (CY 2027)	FY 3 (CY 2028)
Total Admissions	279	336	398
Total Gross Revenues (Charges)	\$6,383,282	\$7,875,731	\$9,548,629
Total Net Revenue	\$3,261,866	\$3,960,048	\$4,758,485
Average Net Revenue per admissions	\$11,691	\$11,786	\$11,956
Total Operating Expenses (Costs)	\$3,742,979	\$4,274,878	\$4,663,671
Average Operating Expense per Admissions	\$13,416	\$12,723	\$11,718
Net Income	<b>(\$481,113)</b>	<b>(\$314,830)</b>	<b>\$94,813</b>

The assumptions used by the applicant in preparation of the pro forma financial statements are provided Section F, page 71 and Section Q, Forms F.2 and F.3. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

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

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions 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.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

On page 31 of the 2024 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Alleghany County as its own acute care bed service area. Thus, the service area for this facility is Alleghany County. Facilities may also serve residents of counties not included in their service area.

Table 5A on page 37 of the 2024 SMFP shows that Alleghany Memorial Hospital is the only facility in Alleghany with acute care beds.

In Section G, pages 75-76, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in Alleghany County. On page 75, the applicant states:

*“AMH is the only hospital facility in the Alleghany County acute care bed service area. Rather, the proposed project will enable AMH to continue to serve and to better meet the needs of Alleghany County residents for acute care services in a timely manner, in an existing facility that is designed and sized to meet the current and long-term healthcare needs of these residents.”*

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

- There is a need determination in the 2024 SMFP for the proposed acute care beds.
- The applicant is the only provider of acute care hospital services in Alleghany County.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds.

### **Conclusion**

The Agency reviewed the:

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

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

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

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

<b>Alleghany Memorial Hospital Current &amp; Projected Staffing</b>				
<b>Position</b>	<b>Current</b>	<b>Projected – FYs 1-3</b>		
	<b>10/01/2023</b>	<b>1<sup>st</sup> Full FY</b>	<b>2<sup>nd</sup> Full FY</b>	<b>3<sup>rd</sup> Full FY</b>
Nurse Practitioners		1	1	1
Registered Nurses	6	8	10	11
Licensed Practical Nurses				
Certified Nurse Aides/Nursing Assistants	6	8	10	11
Director of Nursing				
Assistant Director of Nursing				
Clerical	3	4	5	5
Other				
<b>Total Staffing</b>	<b>15</b>	<b>21</b>	<b>26</b>	<b>28</b>

The assumptions and methodology used to project staffing are provided on page 77 and in Form H Staffing. AMH states that it based Form H Staffing on its experience operating and staffing its hospital in Sparta. The projected acute care bed staffing includes the clinical and support staffing sufficient to cover the inpatient bed staffing needs. AMH projected staff salaries for each position based on its current salary and wage structure.

In Section H, pages 77-78, 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 based on the following:

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and will use that experience for the proposed project.
- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.
- The applicant’s projections for FTEs are based on its own historical experience.
- The applicant accounts for projected salaries and other costs of employment for FTEs in its projected operating expenses found on Form F.3a in Section Q.
- The applicant provides adequate information about its existing and proposed recruitment, training, and continuing education programs.

**Conclusion**



The Agency reviewed the:

- Application
- Exhibits to the application

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

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

### C

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

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

In Section I, pages 81-82, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 81-82, the applicant explains how each ancillary and support service is made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is currently providing the necessary ancillary and support services at the same facility where it proposes to develop the additional acute care beds.
- In Exhibit I.1, the applicant provides a letter dated December 13, 2023, from a facility executive at Allegheny Health, attesting to the existence of the necessary ancillary and support services and committing to continue to provide the necessary ancillary and support services for the proposed project.

#### **Coordination**

In Section I, page 82, the applicant states it is an existing (and the sole) hospital in Allegheny County and collaborates with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is the only acute care hospital in Allegheny County and thus has established many relationships with area healthcare providers.
- The applicant provides letters of support from local physicians and healthcare providers documenting their support for AMH.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

NA

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

- (11) Repealed effective July 1, 1987.

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

C

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

In Section K, page 88, the applicant states that the project involves renovating 6,700 square feet of existing space. Line drawings are provided in Exhibit K.2.

In Section K, pages 88-89, 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 states that the assumptions for the project capital costs are based on the knowledge, experience and expertise of the architect, contractor, and hospital operators AHWFB and HCH, and represent the most reasonable alternative for this proposal.
- The applicant states that the architect based materials and labor cost escalation factors on inflation predictions and forecasts in the construction industry.
- The applicant states that AHWFB and HCH have extensive experience in developing and renovating health facility projects and will ensure that the project is designed to incorporate the most cost-effective design and means of renovation.

On page 89, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states that it is committed to improving the health, prosperity, and well-being of the Alleghany County community it serves, and thus is determined to provide high quality acute care hospital services in a manner that is energy efficient and accounts for the conservation of water.
- The applicant states that it will work with experienced architects and engineers to develop this bed addition project, to ensure energy efficient systems remain an inherent part of the space renovation.
- The applicant states that AMH and its architect and general contractor will evaluate the project for energy efficiency at all stages of planning and design, and will follow all applicable federal, state, and local requirements for energy efficiency and water consumption.

In Section C, pages 31-32, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L, page 93, the applicant provides the historical payor mix during FY 2023 for patients at AMH, as shown in the table below.

<b>AMH Historical Payor Mix – FFY 2023</b>	
<b>Payor Source</b>	<b>% of Total Patients Served</b>
Self-Pay	5.8%
Charity Care (included in self-pay)	%
Medicare*	28.8%
Medicaid*	15.7%
Insurance*	40.7%
Workers Compensation	%
TRICARE	%
Other**	%
<b>Total</b>	<b>100.0%</b>

Source: Section L, page 93

\* including any managed care plans

In Section L, page 94, the applicant provides the historical payor mix during FY 2023 for AMH for acute beds, as shown in table below.

<b>AMH Acute Care Beds Historical Payor Mix – FY 2023</b>	
<b>Payor Source</b>	<b>% of Total Patients Served</b>
Self-Pay	0.7%
Charity Care (included in self-pay)	%
Medicare*	56.7%
Medicaid*	7.0%
Insurance*	35.6%
Workers Compensation	%
TRICARE	%
Other**	%
<b>Total</b>	<b>100.0%</b>

\* including any managed care plans

In Section L, page 94, the applicant provides the following comparison.

<b>Alleghany Memorial Hospital</b>	<b>Percentage of Total Patients Served Last Full FY</b>	<b>Percentage of the Population of the Service Area</b>
Female	59.4%	50.6%
Male	40.6%	49.4%
Unknown	0.0%	0.0%
64 and Younger	19.4%	71.1%
65 and Older	80.6%	28.9%
American Indian	0.0%	0.7%
Asian	0.0%	0.8%
Black or African-American	2.5%	2.1%
Native Hawaiian or Pacific Islander	0.6%	0.0%
White or Caucasian	95.6%	86.3%
Other Race	0.6%	10.1%
Declined / Unavailable	0.6%	0.0%

**Source:** AHWFB (total inpatients served at AMH) and the United States Census Bureau QuickFacts for Alleghany County, July 1, 2023, estimate

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

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

In Section L, page 95, the applicant states that it is not aware of any patient civil rights equal access complaints filed against the facility in the last 18 months.

The applicant states that Hugh Chatham Health is not aware of any patient civil rights equal access complaints filed against any of its facilities in the last 18 months.

The applicant states that Atrium Health Wake Forest Baptist is aware of only one patient civil rights equal access complaint filed against any of its facilities in the last 18 months. In February 2023, a patient filed an Office of Civil Rights (OCR) complaint alleging that the facility delayed the required provision of assistive communication services during a hospital stay. In March 2023, OCR provided technical assistance to the facility in the form of educational materials and closed the case without finding a violation. Per OCR guidance, the technical assistance materials were shared with the facility staff to ensure ongoing compliance with Section 504.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 96, the applicant projects the following payor mix during the third full fiscal year of operation for the hospital and for inpatient acute care beds following completion of the project, as illustrated in the following tables.

<b>Allegheny Memorial Hospital Projected Payor Mix 3rd Full FY</b>	
<b>Payor Source</b>	<b>Percentage of Total Patients Served</b>
Self-Pay	5.8%
Charity Care (included in self-pay)	%
Medicare*	28.8%
Medicaid*	15.7%
Insurance *	49.7%
Workers Compensation	%
TRICARE	%
Other (describe)	%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans

<b>Allegheny Memorial Hospital – Inpatient Acute Care Beds 3<sup>rd</sup> FFY</b>	
<b>Payor Source</b>	<b>Percentage of Total Patients Served</b>
Self-Pay	0.7%
Charity Care (included in self-pay)	%
Medicare*	56.7%
Medicaid*	7.0%
Insurance *	35.6%
Workers Compensation	%
TRICARE	%
Other (describe)	%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans

As shown in the table above, for the hospital during the third full fiscal year of operation following completion of the project, the applicant projects that 5.8% of services will be provided to self-pay patients, 28.8% of services to Medicare patients, and 15.7% of services to Medicaid patients. For the inpatient beds during the third full fiscal year of operation following completion of the project, the applicant projects that 0.7% of services will be provided to self-pay patients, 56.7% of services to Medicare patients, and 7.0% of services to Medicaid patients.

On page 97, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected patient payor mix is based on the historical patient payor mix.

- The applicant provides reasonable explanations for why it chose to project a payor mix identical to its historical payor mix.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 98, the applicant adequately describes the range of means by which patients will have access to the proposed services.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

In Section M, page 99, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health



professional training programs in the area will have access to the facility for training purposes based on the following:

- In Exhibit M.1, the applicant provides documentation of existing health professional training programs in the area which already have access to Alleghany Memorial Hospital.
- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

### C

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

On page 31, the 2024 SFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Alleghany County as its own acute care bed service area. Thus, the service area for this facility is Alleghany County. Facilities may also serve residents of counties not included in their service area.

Table 5A on page 37 of the 2024 SMFP shows that Alleghany Memorial Hospital is the only facility in Alleghany County with acute care beds.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 101, the applicant states:

*“AMH's plan will promote competition in the Alleghany County service area because it improves rural access to hospital care, and will enable the hospital to better meet the needs of the county population by ensuring more timely provision of and convenient access to high quality, cost-effective hospital inpatient services for residents of Alleghany County.”*

Regarding the impact of the proposal on cost effectiveness in Section N, page 103. The applicant states,

*“This project represents the most cost effective and efficient approach to add acute care bed capacity to meet the acute care needs of Alleghany County residents. As an affiliate of AHWFB, AMH will continue to leverage a variety of resources to benchmark pricing in the market.*

*...  
This acute care bed expansion project will not increase the charges or projected reimbursement for these services, which are established by Medicare, Medicaid, and/or existing private payor contracts.”*

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

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

*“AMH will continue to provide high quality, care to all patients, including medically underserved groups, regardless of ability to pay. The proposed acute care bed addition project is designed to expand and improve access to all patients, including the medically underserved, particularly geographic and timely access to the inpatient services proposed in the application.”*

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

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.

- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

### **Conclusion**

The Agency reviewed the:

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

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

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

### C

The applicant proposes to add no more than 3 acute care beds pursuant to the 2024 SMFP adjusted need determination for a total of no more than 6 acute care beds upon project completion.

On Form O in Section Q, 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 2 existing and approved hospitals, Alleghany Memorial Hospital in Alleghany County and Hugh Chatham Memorial Hospital in Surry County.

In Section O, page 110, the applicant states that during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in either Hugh Chatham Health or AHWFB facilities listed in Form O. The applicant states,

*“For Advocate Health, one facility (Columbus Regional) identified on Form O was determined to have had situations resulting in a finding of immediate jeopardy. No other Advocate Health facilities identified on Form O were determined to have had situations resulting in a finding of immediate jeopardy during the look-back period.*

...

*A Plan of Correction was submitted to and accepted by CMS on April 17, 2023. A return visit by DHSR occurred on April 25, 2023 and Columbus Regional was deemed in compliance.”*

After reviewing and considering information provided by the applicant and by the Section and considering the quality of care provided at all 2 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

## C

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

### **10 NCAC 14C .3803 PERFORMANCE STANDARDS**

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

- (1) *document that it is a qualified applicant;*
- C- In Section B, page 25, the applicant adequately documents that it is a qualified applicant. The discussion regarding persons who can develop new acute care beds found in Criterion (1) is incorporated herein by reference.
- (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- On Form C.1b in Section Q, the applicant provides projected utilization of all 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. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

- (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- On Form C.1b in Section Q, the applicant projects an occupancy rate for the applicant hospital during each of the first three full fiscal years of operation following completion of the project that equals or exceeds the target occupancy percentage. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (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- On Form C.1b in Section Q, the applicant provides projected utilization of all 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. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (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 exceeds the target occupancy percentage of:*
- (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; and*
- C- On Form C.1b in Section Q, the applicant projects an occupancy rate of 70.5% for all existing, approved, and proposed acute care beds in the hospital system during the third full fiscal year of operation following completion of the project. This exceeds the target occupancy percentage of 66.7% if the ADC is less than 100. The discussion regarding projected utilization and performance standards found in Criterion (3) is incorporated herein by reference.
- (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- In the Form C – Utilization and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project the utilization and occupancy rates required in Items (2), (3), (4), and (5) of this Rule. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.