

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: August 28, 2025

Findings Date: August 28, 2025

Project Analyst: Chalice L. Moore

Co-Signer: Lisa Pittman

Project ID #: G-12640-25

Facility: Novant Health Kernersville Medical Center

FID #: 60620

County: Forsyth

Applicant(s): Forsyth Memorial Hospital, Inc.

Novant Health, Inc.

Project: Relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery for a total of seven ORs upon completion of this project

### 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

Forsyth Memorial Hospital, Inc. and Novant Health, Inc., (hereinafter referred to as “the applicant” or “NHKMC”) propose to relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven operating rooms upon project completion.

#### **Need Determination**

The proposed project does not involve the addition of new health service facility beds, services, or equipment for which there is a need determination in the 2025 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

## **Policies**

There is one policy in the 2025 SMFP which is applicable to this review. *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.*

### *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*

*“Energy Efficiency and Sustainability for Health Service Facilities. 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 proposed capital expenditure for this project is greater than \$5 million.

In Section B, page 27, the applicant describes the project’s plan to improve energy efficiency and conserve water.

## **Conclusion**

The Agency reviewed the:

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

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 any beds or services or acquire any medical equipment for which there is a need determination in the 2025 SMFP.
  - The applicant adequately demonstrates that the application is consistent with *Policy GEN-4* based on the project's proposed incorporation of Energy Efficiency and Sustainability.
- (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 relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

*“Novant Health proposes to relocate two (2) ORs from Novant Health Hawthorne Outpatient Surgery (NHHOS) to NHKMC. This project will not increase (or decrease) the total number of licensed ORs under the NHFMC license or within Forsyth County. Instead, NHFMC aims to optimize the allocation of its existing licensed resources, enhancing patient access to surgical services while ensuring efficiency and effectiveness in care delivery. This project will increase access because it will allow ORs that are now used exclusively for outpatient surgery to be used for both inpatient and outpatient surgical cases.”*

### **Patient Origin**

On page 49, the 2025 SMFP defines the service area for ORs as “...*the single or multicounty grouping shown in Figure 6.1.*” Figure 6.1 on page 53 of the 2024 SMFP shows Forsyth County as its own OR service area. Thus, the service area for this project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

The applicant proposes to relocate two ORs from NHHOS, thus the applicant provides the historical patient origin for surgical cases for both facilities and the entire historical patient origin for NHKMC as shown below:

<b>NHKMC Historical Patient Origin –Surgical Cases – FFY (01/01/2024 to 12/31/20204</b>		
<b>County</b>	<b># of Patients</b>	<b>% of Total</b>
Forsyth	1,868	45.6%
Guilford	1,097	26.8%
Davidson	255	6.2%
Stokes	190	4.6%
Rockingham	153	3.8%
Randolph	115	2.8%
Surry	81	2.0%
Alamance	55	1.3%
Yadkin	51	1.2%
Other	227	5.5%
<b>Total</b>	<b>4,092</b>	<b>100.0%</b>

Source: Section C, page 29

\*Other includes < 1 percent patient origin from the remaining counties in North Carolina and other states.

<b>NHHOS Historical Patient Origin – Surgical Cases – FFY (01/01/2024 to 12/31/20204</b>		
<b>County</b>	<b># of Patients</b>	<b>% of Total</b>
Forsyth	4,115	49.0%
Surry	740	8.8%
Stokes	728	8.7%
Yadkin	725	8.6%
Davie	671	8.0%
Davidson	456	5.4%
Guilford	227	2.7%
Wilkes	174	2.1%
Other	566	6.7%
<b>Total</b>	<b>8,402</b>	<b>100.0%</b>

Source: Section C, page 30

\*Other includes < 1 percent patient origin from the remaining counties in North Carolina and other states.

<b>NHKMC Historical Patient Origin – Entire Facility– FFY (01/01/2024 to 12/31/20204</b>		
<b>County</b>	<b># of Patients</b>	<b>% of Total</b>
Forsyth	40,947	62.1%
Guilford	13,970	21.2%
Stokes	3,809	5.8%
Davidson	1,808	2.7%
Rockingham	1,674	2.5%
Randolph	750	1.1%
Other	3,028	4.6%
<b>Total</b>	<b>65,986</b>	<b>100.0%</b>

Source: Section C, page 31

\*Other includes < 1 percent patient origin from the remaining counties in North Carolina and other states.

In Section C, pages 32-33, the applicant provides the projected patient origin for the NHKMC for surgical cases and the entire facility for the first three full fiscal years of operation following project completion, as shown in the table below.

<b>NHKMC Projected Patient Origin –Surgical Cases –</b>						
<b>Surgical Cases</b>	<b>1<sup>st</sup> Full Project Year 01/01/2029 to 12/31/2029</b>		<b>2<sup>nd</sup> Full Project Year 01/01/2030 to 12/31/2030</b>		<b>3<sup>rd</sup> Full Project Year 01/01/2031 to 12/31/2031</b>	
	<b>County</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>
Forsyth	2,163	45.6%	2,229	45.6%	2,296	45.6%
Guilford	1,271	26.8%	1,309	26.8%	1,349	26.8%
Davidson	295	6.2%	304	6.2%	314	6.2%
Stokes	220	4.6%	226	4.6%	233	4.6%
Rockingham	178	3.8%	183	3.8%	189	3.8%
Randolph	133	2.8%	137	2.8%	142	2.8%
Surry	94	2.0%	97	2.0%	99	2.0%
Alamance	64	1.3%	66	1.3%	68	1.3%
Yadkin	59	1.2%	61	1.2%	62	1.2%
Other	263	5.5%	271	5.5%	279	5.5%
<b>Total</b>	<b>4,740</b>	<b>100.0%</b>	<b>4,883</b>	<b>100.0%</b>	<b>5,030</b>	<b>100.0%</b>

**Source:** Section C, page 32

\*Other includes < 1 percent patient origin from the remaining counties in North Carolina and other states.

<b>NHKMC Projected Patient Origin – Entire Facility–</b>						
	<b>1<sup>st</sup> Full Project Year 01/01/2029 to 12/31/2029</b>		<b>2<sup>nd</sup> Full Project Year 01/01/2030 to 12/31/2030</b>		<b>3<sup>rd</sup> Full Project Year 01/01/2031 to 12/31/2031</b>	
	<b>County</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>
Forsyth	46,328	62.1%	47,486	62.1%	48,673	62.1%
Guilford	15,806	21.2%	16,201	21.2%	16,606	21.2%
Stokes	4,310	5.8%	4,417	5.8%	4,528	5.8%
Davidson	2,046	2.7%	2,097	2.7%	2,149	2.7%
Rockingham	1,894	2.5%	1,941	2.5%	1,990	2.5%
Randolph	849	1.1%	870	1.1%	892	1.1%
Other	3,426	4.6%	3,512	4.6%	3,599	4.6%
<b>Total</b>	<b>74,657</b>	<b>100.0%</b>	<b>76,524</b>	<b>100.0%</b>	<b>78,437</b>	<b>100.0%</b>

**Source:** Section C, page 33

\*Other includes < 1 percent patient origin from the remaining counties in North Carolina and other states.

In Section C, page 31, the applicant provides the assumptions and methodology used to project NHKMC surgery utilization for the initial three project years of the proposed operating room relocation project. NHKMC projects the patient origin based on the historical hospital surgery services for CY2024. The applicant states that the projected patient origin is not expected to be significantly different compared to NHKMC’s historical patient origin.

The applicant's assumptions are reasonable and adequately supported because the applicant projects patient origin based on the historical utilization of surgical cases at NHKMC's.

### **Analysis of Need**

In Section C, pages 34-41, the applicant explains why the patients it proposes to serve need the proposed services, as summarized below.

- **Growth in Surgical Utilization:** the applicant states NHKMC “*has experienced a robust growth in surgical utilization, achieving a CAGR of nearly eight percent since FFY2021. This trend highlights the increasing demand for surgical services at NHKMC, necessitating the evaluation of operational capacity and the development of additional resources to meet patient needs. The 2025 SMFP OR methodology projects need based on licensed facilities, such NHFMC. However, it does not evaluate OR requirements for individual campuses, including NHKMC. To assess OR need at NHKMC, Novant Health applied the 2025 SMFP OR assumptions to NHKMC's most recent annual surgical utilization.*” (pages 35- 38)
- **Enhance Geographic Access:** the applicant states “*...Winston-Salem is served by 59 hospital-based operating rooms (ORs), excluding open-heart and C-section ORs. Only five (5) ORs are located in the eastern half of Forsyth County at NHKMC. The proposed project aims to address this geographic disparity by reallocating a portion of the existing licensed OR capacity within NHFMC's licensed facilities. This strategic redistribution will enhance access to hospital-based surgical services across Forsyth County, ensuring more equitable availability of critical healthcare resources for patients in the eastern region. Approximately 27 percent of NHKMC's surgical patients come from neighboring Guilford County. Expanding OR capacity at NHKMC will enhance the hospital's ability to serve more patients from Guilford County, minimizing travel distances and improving access to high-quality surgical care.*” (pages 38-39)
- **NHKMC Service Line Support:** the applicant states that “*NHKMC operates as an extension of NHFMC, fostering a natural cohesion of services between the two hospitals. This seamless integration allows NHKMC to deliver high-quality care in a convenient, community hospital setting while benefiting from the extensive resources, expertise, and specialty services offered by NHFMC. NHKMC further enhances patient experience through its easy-to-navigate facility design and convenient surface parking, which simplify access and reduce stress for patients and their families. By providing localized access to advanced healthcare in an accessible and patient-friendly environment, NHKMC improves convenience and strengthens the overall continuum of care for the service area.*” (page 39)
- **Service Area Demographics:** the applicant states “*NHKMC is located in a high growth area of Forsyth County. During 2020-2023, the population in Kernersville grew by 5.7%, which is more than four times the growth for Winston-Salem... The robust population growth in Kernersville further supports the proposed relocation of ORs from NHHOS to NHKMC. As the community continues to expand, the demand for accessible, high-quality surgical services in the area increases correspondingly. Relocating the ORs to NHKMC will help address this growing need by enhancing the hospital's capacity to serve local residents efficiently, reducing travel burdens, and optimizing resource utilization within the healthcare system.*” (pages 40-41)

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

- The applicant states on page 41, that “*the proposed project addresses the critical need for additional hospital-based operating room capacity at NHKMC, driven by the facility’s rising surgical demand. The sustained growth of inpatient service lines, coupled with the growing and aging population served by NHKMC, underscores the necessity of this initiative. By increasing access to advanced outpatient and inpatient surgical services that require the specialized resources of a hospital setting, this project will enhance the facility’s ability to meet the evolving needs of its community.*”
- The applicant provides reliable data to demonstrate the need for the relocation of two operating rooms.

**Projected Utilization**

In Section Q, Form C.3b, page 103, the applicant provides projected utilization for NHKMC, for the first three fiscal years following project completion, as illustrated in the table below.

<b>Projected OR Utilization upon Project Completion</b>			
<b>NHKMC: Licensed ORs</b>			
	<b>Project Year 1</b> 1/1/29-12/31/29	<b>Project Year 2</b> 1/1/30-12/31/30	<b>Project Year 3</b> 1/1/31-12/31/31
<b>ORs Number of Rooms by Type</b>			
Open Heart ORs			
Dedicate C-Section ORs	1	1	1
Other Dedicated Inpatient ORs			
Shared ORs	6	6	6
Dedicate Ambulatory ORs			
Total # of ORs	7	7	7
# of Excluded ORs	1	1	1
Adjusted Planning Inventory	6	6	6
<b>Surgical Cases</b>			
# of C-Sections Performed in Ded. C-Section	174	174	174
# of Inpatient Surgical Cases	836	843	850
# of Outpatient Surgical Cases	3,904	4,040	4,181
Total # of Surgical Cases	4,740	4,883	5,030
<b>Case Times</b>			
Inpatient	172.6	172.6	172.6
Outpatient	93.1	93.1	93.1
<b>Surgical Hours</b>			
Inpatient			
Outpatient	2,405	2,425	2,444
Total Surgical Hours	6,057	6,269	6,487
	8,462	8,693	8,931
<b># of ORs Needed</b>			
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hrs/Standard Hrs per OR per Year	4.3	4.5	4.6

- (1) Total # of ORs - # of Excluded ORs
- (2) Exclude C-Sections performed in dedicated C-Section ORs
- (3) Inpatient Cases (exclude C-Sections performed in dedicated C-Section ORs) X Inpatient Case Time
- (4) Outpatient Cases X Outpatient Case Time
- (5) From Section C, Question 5 (c)
- (6) From Section C, Question 5 (c)

In Section Q, pages 114-122, the applicant provides the assumptions and methodology used project utilization, summarized as follows:

Step 1: Historical OR Surgical Utilization

The following table summarizes recent OR surgical utilization by NHFMC facility location during FFY2021 through FFY2024.

Novant Health Forsyth Medical Center Surgical Cases Performed in Licensed ORs, FFY2021-FFY2024						
Facility Location	Metric	FFY2021	FFY2022	FFY2023	FFY2024	CAGR (%)
Hawthorne OP Surgery	OP Cases	7,732	6,028	7,512	8,385	2.7%
NH Kernersville Medical Center	IP Cases	810	798	598*	801	-0.4%
	OP Cases	2,240	2,556	2,988	3,261	10.5%
	Total	3,230	3,354	3,586	4,062	7.9%
NH Clemmons Medical Center	IP Cases	1,243	968	1,085	1,021	-6.3%
	OP Cases	2,571	3,069	2,785	2,763	0.1%
	Total	3,994	4,037	3,870	3,784	-1.8%
NH Forsyth Medical Center	IP Cases	6,530	6,025	6,693	7,581	5.1%
	OP Cases	5,217	5,533	6,212	7,315	11.9%
	Total	11,747	11,558	12,905	14,896	8.2%
NHFMC License Total	IP Cases	8,583	7,791	8,376	9,403	3.1%
	OP Cases	18,120	17,186	19,497	21,724	6.2%
	Total	26,703	24,977	27,873	31,127	5.2%

Source: Section Q, page 114

*Step 2: Projected Surgical Utilization at NHFMC Facilities*

NHKMC

*“Novant Health projects inpatient surgical utilization at NHKMC will increase based on the population growth rate for Forsyth County (0.8%). Novant Health projects outpatient surgical utilization at NHKMC will increase based on one-third of the FFY2021-FFY2024 CAGR (10.5% ÷ 3 = 3.5%).”*

Novant Health Kernersville Medical Center: OR Surgical Cases								
	FFY2025	FFY2026	FFY2027	FFY2028	FFY2029	FFY2030	FFY2031	FFY2032
IP Cases	808	814	821	828	834	841	848	855
OP Cases	3,375	3,492	3,614	3,740	3,870	4,005	4,145	4,289
<b>Total</b>	4,182	4,306	4,435	4,567	4,704	4,846	4,993	5,144

Source: Section Q, page 116

*“During 2024, NHKMC developed one dedicated C-Section OR pursuant to Project ID # G-12030-21. Novant Health adopted the approved CON projections for the dedicated C-Section OR during the first full three project years, i.e., CY2025-CY2027, and held utilization constant thereafter;”* summarized in the table below:

<b>Novant Health Kernersville Medical Center: OR Surgical Cases</b>							
	<b>FFY2025</b>	<b>FFY2026</b>	<b>FFY2027</b>	<b>FFY2028</b>	<b>FFY2029</b>	<b>FFY2030</b>	<b>FFY2031</b>
<b>C-Sections Performed in Dedicated C-Section OR</b>	87	131	174	174	174	174	174
<b>IP Cases</b>	809	816	823	829	836	843	850
<b>OP Cases</b>	3,404	3,523	3,645	3,772	3,904	4,040	4,181
<b>Total</b>	4,213	4,338	4,468	4,602	4,740	4,883	5,030

Source: Section Q, page 117

NHCCMC

On page 117, the applicant states that *“Novant Health is submitting a concurrent, complementary application to relocate two (2) ORs from NHHOS to NHCCMC. The following methodology from the complementary application is incorporated herein by reference and summarized below.*

*Novant Health projects inpatient and outpatient surgical utilization at NHCCMC will increase based on the population growth rate for Forsyth County (0.8%). These assumptions are reasonable and supported by the demographic factors discussed in Section C.4.”*

<b>Novant Health Clemmons Medical Center: OR Surgical Cases</b>									
	<b>FFY2025</b>	<b>FFY2026</b>	<b>FFY2027</b>	<b>FFY2028</b>	<b>FFY2029</b>	<b>FFY2030</b>	<b>FFY2031</b>	<b>FFY2032</b>	<b>FFY2033</b>
<b>IP Cases</b>	1,029	1,038	1,046	1,055	1,063	1,072	1,081	1,090	1,099
<b>OP Cases</b>	2,786	2,808	2,831	2,855	2,878	2,901	2,925	2,949	2,973
<b>Total</b>	3,815	3,846	3,878	3,909	3,941	3,974	4,006	4,039	4,072

On page 118, the applicant states that *“to help alleviate this pressure and optimize system-wide resource utilization, Novant Health plans to shift a portion of its urology surgical cases, currently performed at NHFMC and NHMPH, to NHCCMC.*

*...The identified urology cases will be available to shift to NHCCMC upon completion of the complementary NHCCMC OR relocation project.”* (Project ID # G-12642-25) On page 119, the application contains a table that includes the urology cases that will shift from NHMPH and NHFMC.

NHFMC

*“The proposed project does not involve any changes to NHFMC’s licensed OR capacity on the main campus. Novant Health conservatively projects inpatient and outpatient surgical utilization at NHFMC will increase based on the population growth rate for Forsyth County (0.8%). These assumptions are reasonable and supported by the historical growth of surgical cases at NHFMC and the demographic factors discussed in Section C.4.”*

Novant Health Forsyth Medical Center: OR Surgical Cases								
	FFY2025	FFY2026	FFY2027	FFY2028	FFY2029	FFY2030	FFY2031	FFY2032
<b>C-Sections</b>	1,143	1,153	1,162	1,172	1,181	1,191	1,201	1,210
<b>IP Cases</b>	7,643	7,706	7,769	7,832	7,896	7,961	8,026	8,092
<b>OP Cases</b>	7,375	7,435	7,496	7,557	7,619	7,682	7,744	7,808
<b>Total</b>	15,018	15,141	15,265	15,390	15,516	15,643	15,771	15,900

On page 121, the application contains a table that includes the urology cases that will shift from NHFMC to NHCMC.

NHHOS

*“Novant Health projects outpatient surgical utilization at NHHOS will increase based on the population growth rate for Forsyth County (0.8%)”, as summarized in the table below:*

Novant Health Hawthorne Outpatient Surgery: OR Surgical Cases								
	FFY2025	FFY2026	FFY2027	FFY2028	FFY2029	FFY2030	FFY2031	FFY2032
<b>OP Cases</b>	8,454	8,523	8,593	8,663	8,734	8,805	8,877	8,950

*“Upon completion of the proposed NHKMC project (January 1, 2029), NHHOS will reduce its licensed OR capacity from four to two. Upon completion of the complementary NHCMC project (1/1/29), NHHOS will reduce its licensed OR capacity from two to zero. The affected ORs will be designated as procedure rooms.*

*Surgical services can be provided in ORs and in properly configured procedure rooms. NHHOS may continue to perform surgical cases in the redesignated procedure rooms, as needed, because the rooms are already constructed to OR standards and are designed and equipped to satisfy recognized standards for ambulatory surgeries. This flexibility ensures that NHHOS can continue to accommodate surgical cases as needed, maintaining high-quality care for its patients. The following table summarizes projected utilization at NHHOS.” (page 121)*

Novant Health Hawthorne Outpatient Surgery: OR Surgical Cases							
	FFY2025	FFY2026	FFY2027	FFY2028	FFY2029	FFY2030	FFY2031
<b>OP Cases Performed in ORs</b>	8,471	8,540	8,610	8,681	1,823		
<b>OP Cases Performed in Procedure Rooms</b>					6,928	8,823	8,895

NHFMC: Total Licensed Facilities

The following table summarizes the projected OR utilization for NHFMC’s licensed facilities based on the previously described methodology.

Novant Health Forsyth Medical Center Surgical Cases Performed in Licensed ORs, FFY2021-FFY2031									
Facility Location	Metric	CY2024	CY2025	CY2026	CY2027	CY2028	CY2029	CY2030	CY2031
NHHOS	OP Cases	8,402	8,471	8,540	8,610	8,681	1,823		
NHKMC	IP Cases	803	809	816	823	829	836	843	850
	OP Cases	3,289	3,404	3,523	3,645	3,772	3,904	4,040	4,181
	Total	4,092	4,213	4,338	4,468	4,602	4,740	4,883	5,030
NHCMC	IP Cases	1,023	1,031	1,040	1,048	1,057	1,156	1,210	1,309
	OP Cases	2,769	2,791	2,814	2,837	2,860	3,394	3,673	4,207
	Total	3,792	3,823	3,854	3,886	3,917	4,550	4,883	5,516
NHFMC	IP Cases	7,597	7,659	7,721	7,785	7,848	7,851	7,885	7,888
	OP Cases	7,330	7,390	7,450	7,511	7,573	7,570	7,600	7,598
	Total	14,926	15,049	15,172	15,296	15,421	15,421	15,484	15,486
NHFMC License Total	IP Cases	9,422	9,499	9,577	9,655	9,734	9,843	9,937	10,047
	OP Cases	21,790	22,056	22,327	22,604	22,886	16,691	15,312	15,985
	Total	31,212	31,556	31,905	32,260	32,621	26,534	25,250	26,032

Source: Section Q, page 122

Projected utilization is reasonable and adequately supported based on the following:

- Utilization projections are based on the applicant’s experience providing surgical services and supported by historical surgical utilization.
- Projected population growth and aging in the service area supports projected increases in demand for surgical services in the Forsyth County service area.

**Access to Medically Underserved Groups**

In Section C, page 46, the applicant states:

*“All individuals including low-income persons, racial and ethnic minorities, women, persons with disabilities, persons 65 and older, Medicare beneficiaries, Medicaid recipients, and other underserved groups, will [have] to continue to have access to NHFMC facilities, as clinically appropriate. Novant Health does not discriminate based on race, ethnicity, age, gender, or disability. Policies to provide access to services by low-income, medically indigent, uninsured, or underinsured patients are described and provided in Exhibit C.6.”*

In Section C, page 47, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS *
Low-income persons	16.0%
Racial and ethnic minorities	29.8%
Women	64.2%
Persons with Disabilities	*%
Persons 65 and older	39.6%
Medicare beneficiaries	39.6%
Medicaid recipients	13.9%

\*Novant Health does not retain data that includes the number of disabled persons it serves. As such, Novant Health does not have a reasonable basis for estimating the percentage of disabled patients to be served by the project. However, as noted above, disabled persons have not and will not be denied access to Novant Health's facilities.

In Section C, page 46, the applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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.

### C

The applicant proposes to relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

In Section D, page 52, the applicant provides a table of the proposed reduction or elimination of Operating Rooms as illustrated below:

Service Component to be reduced or eliminated	Number to be Reduced or Eliminated	Number Remaining
Novant Health Hawthorne Outpatient Surgery	2	2

In Section D, pages 52-53, the applicant explains how the needs of the patients continuing to use the facility will be met following the reduction or elimination of the existing service components.

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

- Although the applicant is proposing to reduce the number of operating rooms, the applicant’s proposal includes increasing the number of procedure rooms, by designating the relocated operating rooms as procedure rooms.
- The applicant’s proposal will not result in an interruption to services because all of the facility’s rooms can accommodate any procedure type, and the applicant confirms all procedures will continue to be performed as appropriate

**Access to Medically Underserved Groups**

In Section D, page 53, the applicant states:

*“The relocation of two ORs from NHHOS to NHKMC is not expected to have any adverse impact on access to ambulatory surgical services at NHHOS, including medically underserved populations... NHHOS will continue to offer outpatient surgical services using its newly designated procedure rooms, all of which are designed to support a wide range of surgical cases.”*

**Conclusion**

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion because the relocation of the 2 ORs will have no impact on the population previously being served since the surgeries will continue in the procedure rooms and the ORs will remain within the county service area.

- (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.

The applicant proposes to relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

In Section E, pages 57-59, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

Maintain Status Quo- The applicant states that *“Under the status quo, NHFMC would not relocate ORs from NHHOS to NHKMC. However, this alternative would not enhance geographic access within Forsyth County and expand needed hospital-based surgical capacity at NHKMC. NHFMC has described the need the service area has for the project as proposed. For these reasons, maintaining the status quo is not an effective alternative.”*

Relocate a Different Number of ORs – The applicant states *“Novant Health determined that relocating one OR would be inefficient and insufficient to accommodate the current and future demand for surgical services at NHKMC...”*

*“As previously described, NHFMC is submitting a concurrent, complementary application to relocate two (2) ORs from NHHOS to NHKMC...”*

*“Upon consideration of these factors, Novant Health determined that relocating two ORs from NHHOS to NHCMC is the most effective alternative at this time.”*

Relocate ORs from Another Facility – The applicant states *“currently, there is no available surgical capacity to relocate ORs from NHMPH, NHKOS, and NHCOS. The growth and aging of the service area will continue to drive the demand for surgical services at Novant Health’s licensed facilities in Forsyth County. Furthermore, relocating ORs from NHKOS or NHCOS would reduce access to freestanding ambulatory surgical services, which typically have a lower charge structure compared to hospital-based services.”*

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

- The applicant provides reasonable 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 all the reasons described above. Therefore, the application is approved subject to the following conditions:

1. **Novant Health Kernersville Medical Center, (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
  2. **Upon completion of the project, Novant Health Kernersville Medical Center shall be licensed for a total of no more than seven ORs.**
  3. **Upon completion of this project, the applicant shall take the necessary steps to decertify two (2) ORs from the NHHOS for a total of two (2) ORs at NHHOS.**
  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 February 1, 2025.**
  5. **The applicant 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.**
  6. **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.**
  7. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need**
- (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 relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

**Capital and Working Capital Costs**

In Section Q, Form F.1a, page 123, the applicant projects the total capital cost of the project, as shown in the following table:

PROJECTED CAPITAL COSTS	FORSYTH MEMORIAL HOSPITAL, INC.	NOVANT HEALTH, INC	TOTAL
Construction Contract		\$17,833,856	\$17,833,856
Architect/Engineering Fees		\$576,218	\$576,218
Medical Equipment		\$4,193,326	\$4,193,326
Non-Medical Equipment		\$112,258	\$112,258
Furniture		\$185,212	\$185,212
Consultant Fees		\$35,000	\$35,000
Other (specify)		\$1,146,794	\$1,146,794
<b>Total Capital Cost</b>		<b>\$24,082,664</b>	<b>\$24,082,664</b>

In Section F, page 62, the applicant states there will be no start-up costs or initial operating expenses because NHKMC already offers surgical services.

In Section Q, page 130, 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 states architect and engineering fees reflect expenditures and contractual obligations to bring all renovation to completion and are based on the architect's construction cost estimate as well as Novant Health's recent experience developing other major projects.
- The applicant states that Costs for all medical equipment, furnishings, and technology have been estimated based on Novant Health's experience with several other recent comparable projects.

**Availability of Funds**

In Section F, pages 60-61 the applicant states that the capital cost will be funded as shown in the following table:

TYPE	NOVANT HEALTH INC.	TOTAL
Loans	\$	\$
Accumulated reserves or OE *	\$24,082,664	\$24,082,664
Bonds	\$	\$
Other (Specify)	\$	\$
<b>Total Financing</b>	<b>\$24,082,664</b>	<b>\$24,082,664</b>

In Exhibit F.2 the applicant provides a April 7, 2025, letter signed by the Executive Vice President and Chief Financial Officer for Novant Health Inc., the parent company for NHKMC, that confirms the availability of sufficient funds for the project capital needs and commits the funds to the project development. The applicant also provides a copy of the audited financial statements which confirms the availability of sufficient funds for the project. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

**Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completions. In Forms F.2 and F.3, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

NHKMC OPERATING ROOMS	1 <sup>ST</sup> FULL FY CY 2028	2 <sup>ND</sup> FULL FY CY 2029	3 <sup>RD</sup> FULL FY CY 2030
Total Cases (From Form C.3b)	4,740	4,883	5,030
Total Gross Revenues (Charges)	\$215,892,246	\$229,077,615	\$243,053,085
Total Net Revenue	\$76,555,391	\$81,230,922	\$86,186,624
Average Net Revenue per Case	\$16,151	\$16,635	\$17,135
Total Operating Expenses (Costs)	\$60,371,325	\$62,787,743	\$65,310,521
Average Operating Expense per Case	\$12,737	\$12,858	\$12,984
Net Income	<b>\$16,184,066</b>	<b>\$18,443,179</b>	<b>\$20,876,103</b>

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, including projected utilization, costs and changes. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.

The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

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

C

The applicant proposes to relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

On page 49, the 2025 SMFP defines the service area for ORs as “...*the single or multicounty grouping shown in Figure 6.1.*” Figure 6.1 on page 53 of the 2024 SMFP shows Forsyth County as its own OR service area. Thus, the service area for this project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved ORs in Forsyth County:

Facilities	OR Planning Inventory
Wake Forest Baptist Health Outpatient Surgery Center – Clemmons	3
Atrium Health Wake Forest Baptist	49
Novant Health Kernersville Outpatient Surgery	2
Novant Health Clemmons Outpatient Surgery	2
Novant Health Forsyth Medical Center	33
Novant Health Medical Park Hospital	10
Kimel Park Surgery Center	2
Piedmont Outpatient Surgery Center	2
Triad Surgery Center	2
<b>Total</b>	<b>105</b>

Source: 2025 SMFP, Table 6-B

In Section G, page 70, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating room services in Forsyth County. The applicant states:

*“The proposed project will not result in unnecessary duplication of existing or approved facilities in Forsyth County. Novant Health does not propose to increase the complement of licensed ORs within Forsyth County. Additionally, this project will allow ORs that are currently used for outpatient only surgical procedures to be used*

*for both inpatient and outpatient surgical procedures. Thus, the project increases access and capacity for surgical services.*

*The proposed project is needed to expand access to NHKMC's well-utilized hospital-based surgical services. As described in Section C.4, Novant Health demonstrates the need the population has for the proposed project based on demographic data, historical service area utilization, and qualitative benefits. Please see Section Q for projected utilization for the proposed project which demonstrates that the expanded capacity a NHKMC will not unnecessarily duplicate existing or approved facilities."*

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

- The proposal will not result in an increase in ORs in Forsyth County.
- The applicant adequately demonstrates that the relocation of two ORs from Novant Health Hawthorne Outpatient Surgery (NHHOS) is needed to expand access to NHKMC's well-utilized hospital-based surgical 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 for all the reasons described above.

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

### C

The applicant proposes to relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

In Section Q, Form H, page 128, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	Current FTE	Projected FTE		
	As of 12/31/2024	1st Full FY	2nd Full FY	3rd Full FY
Registered Nurse	19.9	23.9	23.9	23.9
Certified Nurse Aides / Nursing Assistants	0.7	0.7	0.7	0.7
Certified Registered Nurse Anesthetists	10.9	12.9	12.9	12.9
Surgical Technician	13.4	18.4	18.4	18.4
Central Sterile Supply	7.0	9.0	9.0	9.0
Anesthesia Tech	1.0	1.0	1.0	1.0
<b>Total</b>	<b>52.9</b>	<b>65.9</b>	<b>65.9</b>	<b>65.9</b>

The assumptions and methodology used to project staffing are provided in Section Q, page 133. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section H, pages 71-73, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

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

- The applicant states “*Novant Health is a major employer in Forsyth County and has historically been able to recruit and retain clinical and non-clinical personnel for its healthcare facilities.*”
- The applicant states that “*Novant Health will recruit through its established regional and corporate Human Resources Departments should any recruitment be necessary. Novant Health corporate and regional human resources personnel will be available to recruit needed team members for the proposed project.*”
- The applicant states that “*Novant Health will continue to require all clinical employees to complete orientation, as well as training specific to their position. Novant Health will continue to require clinical staff members to maintain current licensure and certification, and to annually provide evidence of continued competency, either through direct observation, testing, or chart audit.*”

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support

services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

## C

The applicant proposes to relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

### **Ancillary and Support Services**

In Section I, page 75, the applicant identifies the necessary ancillary and support services for the proposed services. On page 75, the applicant explains how each ancillary and support service is or will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant states that as *“an existing acute care hospital and provider of surgical services, all necessary ancillary and support services are available at NHKMC to support the proposed project. Expenses for all necessary ancillary and support services are included in Form H Staffing or Form F.3 Operating Costs.”*

### **Coordination**

In Section I, page 76, the applicant describes its existing and proposed relationships 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 states that as an existing health care facility in the area it has established relationships with area healthcare providers and social service providers.
- In Exhibit I.2, the applicant provides letters of support from physicians and other providers.

### **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 to relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

In Section K, page 79, the applicant states that the project involves construction of 13,521 square feet of new space. Line drawings are provided in Exhibit K.1-1.

In Section K, page 79, the applicant states that the project involves renovating 9,854 square feet of existing space. Line drawings are provided in Exhibit K.1-1.

On page 79, 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 *“Novant Health worked with experienced healthcare architects to develop a cost-effective plan that is responsive to the need for additional surgical capacity at NHKMC. The architect based the projected design and renovation cost on a review of the project and costs of similar projects, published construction costing data, and the architect’s design experience. Please see Exhibit F.1 for the architect’s certification of the proposed project costs.”*

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

- The applicant states, *“Novant Health has extensive experience developing and operating surgical services. Novant Health understands the importance of designing healthcare facilities that are safe and efficient. Based on its depth of experience, Novant Health has confirmed that the size and scope associated with the proposed renovation at NHKMC are consistent with the need the population has for the project as proposed. Therefore, Novant Health has concluded that the costs incurred to develop and operate this project are necessary and appropriate to enhance access for service area patients.”*

On page 80, the applicant adequately identifies any applicable energy saving features incorporated into the construction / renovation plans based on the following:

- The applicant states, *“Novant Health will ensure NHKMC complies with applicable local, state, and federal requirements for energy efficiency and consumption. Novant Health will use and enforce engineering standards that mandate state-of-the-art components and systems. Novant Health will strive to ensure that energy-efficient systems are part of the project. NHFMC will continue to utilize Novant Health’s Sustainable Energy Management Plan. Please see Exhibit K.3.”*

In Section B, page 27, 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

<b>NHKMC: Entire Facility Historical Payor Mix CY 2024</b>	
<b>Payor Category</b>	<b>Percent of Total</b>
Self-Pay	1.5%
Charity Care	3.3%
Medicare*	38.5%
Medicaid*	15.3%
Insurance*	36.6%
Workers Compensation	0.6%
Tricare	0.9%
Other	3.3%
<b>Total</b>	<b>100.0%</b>

Source: Section L, page 82.

<b>NHKMC: Surgical Services Historical Payor Mix CY 2024</b>	
<b>Payor Category</b>	<b>Percent of Total</b>
Self-Pay	1.0%
Charity Care	1.1%
Medicare*	39.6%
Medicaid*	13.9%
Insurance*	40.6%
Workers Compensation	0.3%
Tricare	0.8%
Other	2.6%
<b>Total</b>	<b>100.0%</b>

Source: Section L, page 83.

<b>NHHOS: Outpatient Surgery Historical Payor Mix CY 2024</b>	
<b>Payor Category</b>	<b>Percent of Total</b>
Self-Pay	0.2%
Charity Care	0.7%
Medicare*	65.5%
Medicaid*	9.6%
Insurance*	21.8%
Workers Compensation	0.6%
Tricare	0.9%
Other	0.7%
<b>Total</b>	<b>100.0%</b>

Source: Section L, page 83.

In Section L, page 84, the applicant provides the following comparison.

<b>NHKMC</b>	<b>Last Full FY before Submission of the Application</b>	
	<b>Percentage of Total Patients Served</b>	<b>Percentage of the Population of the Service Area*</b>
Female	64.2%	54.2%
Male	35.8%	45.8%
Unknown	0.0%	
64 and Younger	63.7%	82.6%
65 and Older	36.3%	17.4%
American Indian	0.4%	1.1%
Asian	0.9%	2.8%
Black or African American	22.0%	27.6%
Native Hawaiian or Pacific Islander	0.1%	0.2%
White or Caucasian	70.2%	65.7%
Other Race	5.7%	2.6%
Declined / Unavailable	0.7%	

Source: Section I, page 84

\* The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>. Just enter in the name of the county.

NHHOS	Last Full FY before Submission of the Application	
	Percentage of Total Patients Served	Percentage of the Population of the Service Area*
Female	64.5%	54.2%
Male	35.4%	45.8%
Unknown	0.0%	
64 and Younger	40.7%	82.6%
65 and Older	59.3%	17.4%
American Indian	0.4%	1.1%
Asian	0.5%	2.8%
Black or African American	14.9%	27.6%
Native Hawaiian or Pacific Islander	0.1%	0.2%
White or Caucasian	79.0%	65.7%
Other Race	3.3%	2.6%
Declined / Unavailable	1.9%	

Source: Section I, page 84

\* The percentages can be found online using the United States Census Bureau’s QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>. Just enter in the name of the county.

**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

In Section L, page 85, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity located in North Carolina.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 85, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

<b>Novant Health Kernersville Medical Center: Facility Projected Payor Mix, Third Full FY CY 2031</b>	
<b>Payor Category</b>	<b>Percent of Total</b>
Self-Pay	1.5%
Charity Care	3.3%
Medicare*	38.5%
Medicaid*	15.3%
Insurance*	36.6%
Workers Compensation	0.6%
Tricare	0.9%
Other (Describe)	3.3%
Total	100.0%

Source: Section L, page 88.

\* Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.5% of total services will be provided to self-pay patients, 38.5% to Medicare patients and 15.3% to Medicaid patients.

<b>Novant Health Kernersville Medical Center: Surgical Services Projected Payor Mix, Third Full FY CY 2031</b>	
<b>Payor Category</b>	<b>Percent of Total</b>
Self-Pay	1.0%
Charity Care	1.1%
Medicare*	39.6%
Medicaid*	13.9%
Insurance*	40.6%
Workers Compensation	0.3%
Tricare	0.8%
Other (Describe)	2.6%
Total	100.0%

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.0% of total services will be provided to self-pay patients, 39.6% to Medicare patients and 13.9% to Medicaid patients.

On page 86, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant states that the projected payor mix is based on CY 2024 payor mix for surgical services at NHKMC.
- The applicant states that Novant Health provides charity care to uninsured and insured patients. For the purposes of completing this table, all patients who received charity care were identified and reported in the “Charity Care” payor source line.

**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 stated above.

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

In Section L, page 89, 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 relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

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

- The applicant provides supporting documentation of its approved Clinical Education Agreements for Novant Health in Exhibit M.1.
- The applicant states that Novant Health already has long-standing relationships and training agreements with existing training programs in the area and will extend appropriate training opportunities when the two ORs are added to NHKMC.

**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 relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

On page 49, the 2025 SMFP defines the service area for ORs as “...the single or multicounty grouping shown in Figure 6.1.” Figure 6.1 on page 53 of the 2024 SMFP shows Forsyth County as its own OR service area. Thus, the service area for this project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

The following table identifies application the existing and approved ORs in Forsyth County:

Facilities	OR Planning Inventory
Wake Forest Baptist Health Outpatient Surgery Center – Clemmons	3
Atrium Health Wake Forest Baptist	49
Novant Health Kernersville Outpatient Surgery	2
Novant Health Clemmons Outpatient Surgery	2
Novant Health Forsyth Medical Center	33
Novant Health Medical Park Hospital	10
Kimel Park Surgery Center	2
Piedmont Outpatient Surgery Center	2
Triad Surgery Center	2
<b>Total</b>	<b>105</b>

Source: 2025 SMFP, Table 6-B

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

*“The proposed project will promote cost-effectiveness, quality, and access to services and therefore will promote competition in the service area because it will allow Novant Health to enhance access to surgical services, and to better meet the needs of its existing patient population utilizing hospital-based services in Forsyth County. The project will allow ORs that are currently used only for outpatient surgical procedures to be used for both inpatient and outpatient surgical procedures. Thus, capacity will be expanded as a result of this project. The relocated ORs will be in a convenient, highly accessible setting for*

*service area residents. At the same time, NHHOS will be able to maintain outpatient surgical capacity because the vacated ORs are available to be used as procedure rooms..”*

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 92-93, the applicant states:

*“This project will not increase the cost to patients or payors for surgical services because reimbursement rates are set by the federal government and commercial insurers. The capital expenditure for this project is necessary to ensure that NHKMC will have the capacity to continue to provide high-quality services that are accessible to patients. Novant Health has financial assistance and uninsured discount policies that will improve access to healthcare for service area residents. NHKMC operates under Novant Health’s Financial Assistance (formerly Charity Care) policy and other policies that promote equitable access to care. Uninsured patients with an annual family income less than or equal to 300 percent of the Federal Poverty level will not get a bill.”*

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

Regarding the impact of the proposal on quality, in Section N, page 94, the applicant states:

*“Novant Health is committed to delivering high-quality care at all of its facilities. Novant Health has quality-related policies and procedures that are applicable to NHKMC..”*

See also Section O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 94, the applicant states:

*“Novant Health will continue to have a policy to provide services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay, or any other factor that would classify a patient as underserved. Novant Health’s financial assistance policy will apply to the proposed services.”*

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

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

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

- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 relocate no more than two operating rooms from Novant Health Hawthorne Outpatient Surgery (NHHOS) for a total of no more than seven ORs upon project completion

In Section Q, Form O, page 129, 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 of these types of facilities located in North Carolina. On page 98, the applicant states that no hospital identified in Form O had any situations resulting in a finding of immediate jeopardy during the 18 month look-back period.

In Section O, page 99, the applicant states that, during the 18 months immediately preceding the submittal of the application, an incident related to quality of care resulting in a finding of immediate jeopardy occurred in a hospital-based skilled nursing unit in one of these facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care had occurred in this facility, but the facility is now back in compliance. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all of the 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 does not propose to increase the number of operating rooms in the service area; therefore, the criteria and standards for surgical services and operating rooms do not apply.