

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: August 20, 2025

Findings Date: August 20, 2025

Project Analyst: Crystal Kearney

Co-Signer: Mike McKillip

Project ID #: J-12649-25

Facility: Wake County Rehabilitation Hospital

FID #: 210730

County: Wake

Applicant: Wake County Rehabilitation Hospital, LLC

Project: Change of scope for Project ID #J-12125-21 (Develop a 52-bed rehabilitation hospital) to add inpatient dialysis services

### 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.

NA

Wake County Rehabilitation Hospital, LLC (hereinafter referred to as “applicant” or Peak Rehabilitation Hospital) proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

On January 7, 2022, the Agency issued a certificate of need for Project ID# J-12125-21 to develop a 52-bed inpatient rehabilitation hospital with an approved capital cost of \$3,275,000. The application proposes an increase in the total capital cost of \$150,000.

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 or offer a new institutional health service for which there are any policies in the 2025 SMFP. Therefore, Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.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

### C

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services. In Section C.8, page 36, the applicant describes the project as follows:

*“The proposed project includes a request for approval to add two kidney dialysis stations to the therapy unit in Peak Rehabilitation Hospital, License No. HO293. The Applicant will restrict use of these stations to inpatients of the facility. Exhibit K.5 contains a copy of the stations in the floor plan approved in the CON application for the 52-bed Peak Rehabilitation Hospital, CON Project ID: J-12125-21.”*

### **Patient Origin**

N.C.G.S. §131E-176(24a) defines “service area” as “*The area of the State, as defined in the State Medical Facilities Plan or in rules adopted by the Department, which receives services from a health service facility.*” The 2025 SMFP does not define a service area for inpatient dialysis services. There are no applicable rules adopted by the Department that define a service area for inpatient dialysis services.

In Section C.8, page 37, the applicant states no changes to patient origin are projected. The application for Project ID# J-12125-21 was found conforming with Criteria (3) with regard to projected patient origin. No changes are proposed in this application that would affect that determination.

### **Analysis of Need**

In Section C.8, page 36, the applicant described the need for the proposed COS as follows:

*“With two stations, the facility will have efficiency of operations should more than one patient in the facility need dialysis services. Fresenius will provide dialysis services through a service agreement. See Exhibit C.8 for a quote from Fresenius to provide services.*

*Member companies in the triventre have years of experience offering inpatient rehabilitation facility (“IRF”) services. Consistently, experience of CHC Management Services, LLC, the management services provider, 4 to 4.5 percent of IRF patients require routine kidney dialysis at least three days a week to keep them alive. IRF*

*patients require general acute care. Transportation out of the IRF facility to a licensed renal dialysis facility can be detrimental to their health and recovery process. CHC Management Services, LLC currently manages 48 existing freestanding rehabilitation hospitals across the United States.*

*This is a freestanding IRF. It has no attached general acute care hospital that offers kidney dialysis services. IRFs are not patient homes. Therefore, a licensed dialysis center cannot solve the problem by bringing home dialysis services to the IRF.”*

### **Projected Utilization**

In Section Q, the applicant provides projected utilization for inpatient dialysis at Peak Rehabilitation Hospital, as summarized below.

Peak Rehabilitation Hospital	Partial Year 2026	2027	2028	2029
Dialysis Patients	39	49	49	49
Dialysis Procedures	234	294	294	294
Dialysis Stations	2	2	2	2

In Section C, page 37, the applicant states it does not project any changes to projected utilization as part of the proposed project. The Agency determined that Project ID# J-12125-21 was conforming with Criterion (3), with regard to projected utilization. The applicant states that the percentage of patients served in each county will not change. The number receiving dialysis will be only 4 percent of the total. The applicant states that in Section Q, Form C.1b page 74 for the dialysis only utilization estimates.

The applicant’s utilization projections are reasonable and adequately supported based on the following:

- The applicant states that four percent of Peak Rehabilitation Hospital patients will require kidney dialysis, based on applicant experience.
- The applicant states that dialysis services are required every other day, or three times a week for people who have chronic kidney disease at end stage and by people who are on temporary dialysis associated with their diagnosis at time of admission to the rehabilitation hospital.
- The applicant states that dialysis patients of the facility, will stay an average of two weeks, based on the applicant’s experience operating similar facilities.

### **Access to Medically Underserved Groups**

In Section C, page 37, the applicant states it does not project changes to access by medically underserved groups because of the proposed project. The application for Project ID# J-12125-21 adequately demonstrated the extent to which all residents of the area, including underserved groups, were likely to have access to the proposed services. No changes are proposed in this application that would affect that determination.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

CA

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

In Section E, page 43, the applicant states there were no alternatives methods of meeting the identified needs to the proposed COS/COR application. On page 43, the applicant states;

*“Without the in-hospital service proposed in this application, Peak Rehabilitation Hospital has two less effective alternatives:*

- *Transport patients by ambulance to existing ESRD facilities. This removes the kidney patient from all other rehab services for most of the day and it has the added cost of ambulance and a staff person who must accompany the patient.*
- *Deny admission to patients who need renal dialysis.”*

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 1. Wake County Rehabilitation Hospital, LLC (hereinafter certificate holder) shall materially comply with all representations made in the application and representations made in Project ID# J-12125-21. Where representations conflict, the certificate holder shall materially comply with the last made representation.**
  - 2. The certificate holder shall develop inpatient dialysis services at Wake County Rehabilitation Hospital.**
  - 3. The total combined capital expenditure for this project and Project ID#J-12125-21 is \$3,425,000.**
  - 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 January 1, 2026.**
  - 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.

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

### **Capital and Working Capital Costs**

A certificate of need was issued on January 7, 2022 for Project ID# J-12125-21 to develop a 52-bed inpatient rehabilitation hospital with an approved capital cost of \$3,275,000.

The following table compares the capital cost approved in Project ID #J-12125-21, the changes proposed in this application, and the new projected capital costs, as reported on Form F.1b in Section Q.

	<b>Previously Approved Capital Cost J-12125-21</b>	<b>New Total Capital Cost</b>	<b>Difference (Additional capital cost proposed in this application)</b>
Medical Equipment	\$1,854,620	\$1,854,620	\$0
Non-Medical Equipment	\$742,800	\$742,800	\$0
Furniture	\$602,580	\$602,580	\$0
Consultant Fees	\$75,000	\$75,000	\$0
Contingency	\$0	\$150,000	\$150,000
<b>Total Capital Costs</b>	<b>\$3,275,000</b>	<b>\$3,425,000</b>	<b>\$150,000</b>

In Section F, page 49, the applicant states the application is not a cost overrun because the proposed additional costs are contingency only and do not exceed 15 percent of the original approved capital cost.

In Section F, page 49, the applicant states there will be no change to the total working capital from what was approved in Project ID #J-12125-21.

### **Financial Feasibility**

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

<b>Peak Rehabilitation Hospital</b>	<b>1<sup>st</sup> Full FY CY2027</b>	<b>2<sup>nd</sup> Full FY CY2028</b>	<b>3<sup>rd</sup> Full FY CY2029</b>
Total Patient Days	15,665	15,655	15,665
Total Gross Revenue	\$71,106,291	\$72,883,948	\$74,706,047
Total Net Revenue	\$26,442,514	\$27,103,577	\$27,781,167
Average Net Revenue per Patient Day	\$1,688	\$1,730	\$1,773
Total Operating Expenses (Costs)	\$19,061,732	\$19,538,275	\$20,026,732
Average Operating Expense per Patient Day	\$1,217	\$1,247	\$1,278
Net Income	\$7,380,783	\$7,565,302	\$7,754,435

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Form F.2b on page 77. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant states that the data is consistent with the original CON application with regard to both revenue and expenses figures.
- 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 reasons described above.

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

### **C**

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

The applicant states that the proposed project includes adding dialysis services for rehabilitation hospital inpatients. The applicant states that the only rehabilitation hospital patients will use the dialysis service.

The application for Project ID# J-12125-21 was found conforming with Criteria (6). The applicant does not propose any changes in the COS application that would affect that determinations.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

The application for Project ID# J-12125-21 was found conforming with Criteria (7). The applicant does not propose any changes in the COS application that would affect that determinations.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

In Section I, page 55, the applicant states the proposed dialysis stations are a new ancillary/support service. The applicant states that applicant intends to contract Fresenius to provide the dialysis equipment , staff and supplies . The applicant provided supported documentation in Exhibit C.8, letter of support and Exhibit I.3, all other ancillary services as needed.

The COS application has no impact on the provision of ancillary and support services. The application for Project ID #J-12125-21 adequately demonstrated the availability of the ancillary and support services necessary for the provision of the proposed services and adequately demonstrated the proposed services would be coordinated with the existing healthcare system. The applicant proposes no changes in the current application which would affect that determination.



- (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. 55

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.

NA

The applicant does not propose any new construction or renovations. Therefore, Criterion (12) is not applicable to this review.

- (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 Project ID# J-12125-21, the Agency determined the applicant adequately demonstrated conformity for this criterion. The application proposes no changes in the current application which would affect that determination.

- (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 Project ID# J-12125-21, the Agency determined the applicant adequately demonstrated conformity for this criterion. The application proposes no changes in the current application which would affect that determination.

- (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 Project ID# J-12125-21, the Agency determined the applicant adequately demonstrated conformity for this criterion. The application proposes no changes in the current application which would affect that determination.

- (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

The applicant proposes a change of scope for Project ID# J-12125-21. Project ID# J-12125-21 was conforming to this criterion and the applicant proposes no changes in the current application that would affect that determination.

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

C

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

Project ID# J-12125-21 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

The application for Project ID #J-12125-21 adequately demonstrated the expected effects of the proposed services on competition and how any enhanced competition would have a positive impact on cost-effectiveness, quality, and access to the services proposed. The applicant proposes no changes in this application which would affect that determination.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

In Section Q, Form O, the applicant identifies the hospital facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 12 such facilities located in North Carolina.

In Section O, page 69, the applicant states that, during the 18 months immediately preceding submission of the application, no incidents related to quality of care occurred in 12 of these facilities. According to the files in the Acute Care and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were no incidents related to quality of care occurred in any of the applicant's facilities. After reviewing and considering information provided by the applicant and by the Acute Care and Home Care Licensure and Certification Section and considering the quality of care provided at 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 proposes a change of scope for Project ID# J-12125-21 (Develop a 52-bed inpatient rehabilitation hospital) to add inpatient dialysis services.

There are no administrative rules applicable to the proposed project. Therefore, this criterion is not applicable to this review.