



THE TOWN OF
**Holly
Springs**

July 31, 2009

Dan A. Myers, M.D.
Chairman, North Carolina State Health Coordinating Council
c/o Medical Facilities Planning Section
Division of Health Service Regulation
2714 Mail Service Center
Raleigh, NC 27699-2714

DFS Health Planning
RECEIVED

JUL 31 2009

Medical Facilities
PLANNING SECTION

Dear Dr. Myers,

We appreciate the opportunity to petition for an adjustment to the acute care bed need determination for Wake County as stated in the Proposed 2010 SMFP. We have worked closely with our consultant to present findings consistent with our community support for the Holly Springs Hospital CON application last year that was denied. It is apparent to us that the Wake County bed allocation that was ruled in favor of Wake Med North earlier this year still does not alter the fact that the residents of southern Wake County are underserved in terms of local access to basic community hospital services.

Our town council and staff remain steadfast in their eight year effort to bring additional healthcare services to Holly Springs and the surrounding communities. We hope that the NC SHCC will evaluate our petition with an understanding that our growth rate is above and beyond the state average and as we strive to manage our growth, healthcare services in southern Wake County are critical to our managed growth policies.

The Holly Springs Town Council has officially endorsed the submission of this petition and stand ready to provide you with any additional supporting documentation you may request. Please contact me directly at (919)557-3902 if you desire additional information or clarification.

Best Regards,

Carl G. Dean
Town Manager

P.O. Box 8
128 S. Main Street
Holly Springs, N.C. 27540

(919) 552-6221

Fax: (919) 552-5569

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Cc: Mayor and Town Council

File: july 09 ltr to SHCC..07.2009.doc

Dan A. Myers, M.D.
Chairman, North Carolina State Health Coordinating Council
c/o Medical Facilities Planning Section
Division of Health Service Regulation
2714 Mail Service Center
Raleigh, NC 27699-2714

Re: Petition for Adjustment to 2010 Proposed SMFP Acute Care Bed Need Determination for 42 New Acute Care Beds in Wake County, North Carolina

I. Name, address, and telephone number of Petitioner

Town of Holly Springs
128 South Main Street
Holly Springs, NC 27540
(919) 552-6221
Attn: Carl Dean, Town Manager, Holly Springs
Dick Sears, Mayor, Holly Springs

DPS HEALTH PLANNING
RECEIVED

JUL 31 2009

MEDICAL FACILITIES
PLANNING SECTION

II. Requested Adjustment

The Town of Holly Springs submits this Petition for an adjustment in the acute care bed need determination for Wake County in the *Proposed 2010 SMFP (State Medical Facilities Plan)*.

The Town of Holly Springs specifically requests that a need determination for **42** new acute care beds in Wake County to be identified in Column K of Table 5A: Acute Care Bed Need Projections and in Table 5B: Acute Care Bed Need Determinations of the *Proposed 2010 State Medical Facilities Plan (SMFP)*.

III. Reasons for the Proposed Adjustment

The Proposed 2010 SMFP Acute Inpatient Days Growth Factor is too low and does not reflect Wake County's actual growth and demand for acute care inpatient beds

The annual *SMFP* Growth Factor for NC statewide acute inpatient days is a key element in the Acute Care Bed Need Methodology and the calculation of new acute bed need determinations, by county(ies).

The *Proposed 2010 SMFP* Growth Factor (for statewide acute inpatient days) of 0.02% annually is lower than the actual Statewide (0.42%), Health Service Area IV/HSA IV¹ (2.45%), and Wake

¹ HSA IV is defined by the state in the 2010 SMFP to include these counties: Wake, Durham, Orange, Franklin, Chatham, Lee, Vance, Person, Johnston, and Warren.

County Acute Care Inpatient Day (3.06%) annual Growth Rates, respectively, as shown in the following table.

Growth Rate Comparison: SMFP Growth Factor v. Actual Growth Rates (Table 5A)

	2008 SMFP Growth Rates – Avg. 3 Yr. 2004-2006	2009 SMFP Growth Rates – Avg. 3 Yr. 2005-2007	2010 SMFP Growth Rates- Avg. 3 Yr. 2006-2008
SMFP Growth Factor	0.47%	0.01%	0.02%
Actual Statewide Acute Inpatient Days of Care Growth Rate	-0.65%	0.50%	0.42%
Actual HSA IV Acute Inpatient Days of Care Growth Rate	1.84%	1.58%	2.45%
Actual Wake County Acute Inpatient Days of Care Growth Rate	0.04%	1.64%	3.06%

Source: Table 5A - Historical and Proposed SMFPs; Exhibit # 1

In the 2008 SMFP, the Acute Care Bed Need Methodology determined a need for 41 new acute care beds in Wake County using the 2008 SMFP NC Patient Days Growth Factor of 0.47%, which was far less than the actual HSA IV Hospitals’ acute inpatient days growth rate of 1.84% annually.

The Proposed 2010 SMFP, however, does **not** include a need determination for additional new acute beds in Wake County.

Taking into consideration fluctuating economic conditions and the ongoing work of the SHCC’s Acute Care Bed Need Methodology Work Group², the Petitioner believes that the actual Statewide Acute Care Patient Day Growth Rate of **0.42%** is a very conservative and appropriate growth rate to use to project acute care bed need in Wake County in the 2010 SMFP.

The Acute Care Bed Need Methodology – Steps 3 and 4

The Acute Care Bed Need Methodology in the Proposed 2010 SMFP contains a multi- step process to determine need for acute care beds. The Petitioner focuses on Steps 2 and 3 of the 2010 proposed SMFP Acute Care Bed Need Methodology to determine the proposed adjusted need determination for acute care beds in Wake County:

² Chaired by SHCC Member, Dr. Sandra Greene.

Step 3 (Column F, Table 5A) – Determine Number of Acute Inpatient Days of Care:

- Total the number of acute inpatient days of care for each Acute Care Hospital using Thomson data from 2 years previous to the Plan year (FFY 2008 data: 10/1/2007 – 9/30/2008) *NOTE: Source of data included in Column F is “Thomson 2008 Acute Care Days.*

Step 4 (Column G, Table 5A) – Project Inpatient Days of Care:

- Determine the growth factor, based on changes in inpatient days of care at acute care hospitals across the state of North Carolina over the last 4 federal fiscal years.
- Compound growth factor for the next 6 years into the future.
- Calculate the projected acute inpatient days for each hospital 6 years into the future by multiplying the base year’s (FFY 2008) acute inpatient days by the compounded growth factor.

In the *Proposed 2010 SMFP*, the projected number of acute inpatient days of care to be provided in Federal Fiscal Year 2014 (6 years into the future from base year FFY 2008) by each hospital in North Carolina is based on a statewide average Growth Factor of **0.02% per year** (a multiplier of 1.0002) for the next 6 years (FFY 208 – FFY 2014).

Note that the acute inpatient days annual Growth Factor in the current *draft 2010 SMFP* was not determined using total acute inpatient days of care by hospital for all hospitals in North Carolina calculated in Step 3 of the Acute Care Need Methodology and shown in Column F, Table 5A: Acute Care Bed Need Projections. Instead, the acute inpatient days annual Growth Factor in the annual SMFPs is provided each year by the Sheps Center to the DHSR Medical Facilities Planning Section, and is based upon total patient day growth across North Carolina in all acute care hospitals and includes rehabilitation inpatient days and psychiatric inpatient days, provided on acute care hospital campuses³.

The current Acute Care Bed Need Methodology was implemented in the *2004 SMFP*. At that time, due to data anomalies in the initial years with the hospital data it was reasonable to use the Growth Factor provided annually by the Sheps Center.

Increasingly, over the last six years, reporting by the NC hospitals of their acute inpatient days data to Thomson/Solucient has improved significantly, and there seems to have been some decreases in utilization of rehabilitation and psychiatric hospital beds located in acute care hospital units. As such, it is the petitioner’s position that for purposes of this petition, actual acute inpatient days of care included in Column F of Table 5A in the *2010 Proposed SMFP* should be the data set used to calculate the Growth Rate element of the *2010 SMPF* acute bed need method applied in Wake County.

³ Note: the *Proposed 2010 SMFP* contains separate projections and need methodologies for inpatient psychiatric beds and for inpatient rehabilitation beds in SMFP Chapters 8 & 15.

The following table shows the actual acute inpatient days of care from the *Proposed 2010 SMFP Table 5A, Column F*, and the historical data⁴ upon which the annual *SMFP* Growth Factor has been determined. The annual change in the statewide annual acute inpatient days was calculated and a three year average was determined.

***SMFP Annual NC Acute Patient Days Growth Factor
and Actual Acute Care Inpatient Days of Care Growth Rate
FFYs 2004-2008 Data (from Table 5A in the 2004 SMFP to 2010 Draft SMFP)***

Federal Fiscal Year	Data Source	Sum of Actual Acute Care Hospital Acute Care Inpatient Days of Care for All NC Acute Care Hospitals			Total In-State Days From NC Acute Care Hospitals (4.30.08) - Provided at the May 8, 2008 Acute Care Services Committee Meeting		
		Total NC Acute Care Inpatient Days	Annual Change	Three Year Avg Growth	NC Acute Care Hospitals' Total Patient Days	Annual Change	Three Year Avg Growth
2002	2004 SMFP	4,252,506			4,480,926		
2003	2005 SMFP	4,537,876	6.71%		4,576,550	2.13%	
2004	2006 SMFP	4,445,232	-2.04%	1.56%	4,679,727	2.25%	1.46%
2005	2007 SMFP	4,455,569	0.23%	1.63%	4,695,848	0.34%	1.58%
2006	2008 SMFP	4,448,930	-0.15%	-0.65%	4,639,819	-1.19%	0.47%
2007	2009 SMFP	4,511,691	1.41%	0.50%	4,680,021	0.87%	0.01%
2008	Proposed 2010 SMFP	4,511,555	0.00%	0.42%	Percent included in Proposed 2010 SMFP		0.02%

Source: SMFPs; Handouts from May 8, 2008 Acute Care Services Committee Meeting

As shown in the previous table, the Petitioner totaled only the actual acute inpatient days of care all North Carolina acute care hospitals from *Table 5A, Column F, 2004 SMFP* through the *Proposed 2010 SMFP*, and then calculated the annual change and three year average growth rate in statewide North Carolina acute inpatient days. Calculation of the North Carolina statewide average inpatient days growth rate using actual statewide acute inpatient days of care (provided in *Table 5A, Column F*) results in a considerably higher growth rate of **0.42%** than the *Proposed 2010 SMFP* Growth Factor of 0.02%.

Projected Acute Care Bed Need for Wake County

The following table presents the acute care bed need methodology as reflected in the Proposed 2010 SMFP for Wake County (without Column A and Column C which are informational only and not part of the methodology). The only change is the use of the actual Statewide North Carolina Acute Care Patient Day Growth Rate⁵ of **0.42%** (rather than the 0.02% growth rate which is currently applied in the *2010 SMFP*).

⁴ Prepared by The Shep Center, based on a contract with the state.

⁵ Using the total NC statewide acute inpatient days reported by North Carolina Hospitals to the state's required data collection vendor, Solucient/Thomson and listed in Column E of the Table 5A in the draft 2010 SMFP.

**Projected Acute Care Bed Need Using Actual
Statewide Acute Care Inpatient Day Growth Rate (0.42%)**

Hospital	Licensed Acute Care Beds	CON Adjustments	2008 Thomson Patient Days	6 Years Growth @ 0.42% Actual Statewide Acute Care Inpatient Day Growth Rate	2014 Projected ADC	2014 Beds Adjusted for Target Occupancy	Projected 2014 Deficit or Surplus (-)	2014 Need
<i>Wake County Projected @ Statewide Acute Care Inpatient Day Growth Rate (0.42%)</i>								
B	D	E	F	G	H	I	J	K
Duke Health Raleigh	186	0	23,215	23,800	65	98	-88	
Rex Hospital	425	8	106,947	109,642	300	399	-34	
WakeMed Cary	156	0	38,542	39,513	108	152	-4	
WakeMed Raleigh	515	60	177,318	181,786	498	662	87	
WakeMed Total	671	60	215,860	221,300	606	814	83	83
2008 SMFP Need		41	2008 SMFP Need is subtracted from projected deficit					
2009 SMFP Need		18	Designated as NICU Only – Not Subtracted from projected deficit					
Wake County Total	1,282	119						42

Source: Proposed 2010 SMFP; Exhibit # 1

Calculations:

Column G = Column F x [1 + (0.42% x 6)]

Column H = Column G / 365

Column I = Column H / Target Occupancy Rates of 66.7%, 71.4%, or 75.2% depending on Hospital Average Daily Inpatient Census (ADC)

Column J = Column I – Column D – Column E

Column K = Combined WakeMed deficit and WakeMed Cary surplus – 2008 SMFP Bed Need Allocation

The 18 NICU (Neonatal Intensive Care Unit) bed need in the 2009 SMFP was a result of a special need petition filed during summer 2008. The language on page 53 of the 2009 SMFP states clearly that those 18 beds are “To be designated as licensed neonatal beds only.” Consistent with previous special need petitions included in SMFPs⁶, those 18 NICU beds should not be included in the inventory of existing general use, medical-surgical acute care beds. Based on the language of the 2009 SMFP for these 18 Wake County specialized NICU beds, these 18 NICU beds will not be approved by the state to be used in Wake County for general adult medical-surgical patients. In April 2009, Rex HealthCare filed a CON application for 6 NICU beds and WakeMed filed a CON application for 12 new NICU beds⁷. The use of these very specialized 18 acute beds will be limited to the inpatient intensive care needs of neonates (babies) in a specialized nursery setting. Thus, the CON approval of these 18 NICU beds later in 2009, does not in any way offset the need for additional new medical/surgical acute inpatient beds in Wake County, that are the subject of this petition.

Using the actual Statewide Acute Inpatient Day Growth Rate of **0.42%** results in 83 additional acute care beds needed in Wake County facilities. When the Wake County 41 bed need determination from the 2008 SMFP is subtracted from 83 additional acute care beds (83-41 =

⁶ Other special need determinations, where the units are not included in the SMFP inventory or need method for that health service: extremity MRI scanner, dedicated breast MRI scanner, cardiac MRI scanner.

⁷ CON Project I.D. #s J-8325-09 (Rex Healthcare, 6 NICU beds); CON Project I.D. # J-8328-09 (WakeMed, 12 NICU beds).

42), it results in a FFY 2014 Need Determination in the *Proposed 2010 SFMP*, Column K of Table 5A of **42** acute care beds in Wake County.

The Petitioner believes that **42** new acute care beds in Wake County should be reflected as needed in Column K of Table 5A of the *Proposed 2010 SMFP*.

Requested Adjustment to the Proposed 2010 SMFP

The Town of Holly Springs requests an adjusted bed need determination for Wake County of **42 new** acute care beds in Wake County, based on use of the actual Statewide Acute Care Inpatient Day Growth Rate of **0.42%**, rather than the *Proposed 2010 SMFP* Growth Factor of 0.02%.

In addition, the Petitioner requests that the adjusted Wake County bed need determination CON review cycle be included in a CON review cycle which is concurrent with the Wake County operating room CON review cycle. Note that the *Proposed 2010 SMFP* currently specifies a need in Wake County for 3 new general use operating rooms. This would permit an applicant to file a CON application in 2010 for a new acute care hospital in Wake County based on the *2010 SMFP*. This is consistent with the *2008 SMFP* CON application filing deadlines established by the state (August 15, 2008) for the 41 new beds and 4 new ORs in Wake County.

Supporting Facts

Wake County Population Growth

According to the US Census Bureau estimates released on May 14, 2009, Wake County is predicted to grow faster than Mecklenburg County over the next two years, and by 2011, the populations of North Carolina's two largest counties will differ by fewer than 25,000 people. Wake County's population is estimated to swell nearly 5 percent this year, to 791,214, and then grow at a slightly slower pace in 2010 and 2011. The population is forecast to grow 4.91 percent in 2010 and 4.38 percent in 2011, pushing the total to 866,410 in 2011.

By comparison, Mecklenburg County is projected to grow 4.04 percent, to 832,078 people, in 2009. Like Wake County, Mecklenburg is expected to see growth rates slow slightly in 2010 and 2011, to 3.81 percent and 3.09 percent, respectively. That gives Mecklenburg a projected population of 890,515 in two years from now—only 24,105 people (or 2.7%) more than Wake County.

While Mecklenburg is dominated by Charlotte, easily the largest city in North Carolina, Wake County features the state's second largest city, Raleigh, and a host of fast-growing suburban municipalities, including Cary, Apex, Morrisville, Wake Forest, Garner and Holly Springs. If current trends hold, Wake County could become the state's most populated county in 10 years time.

Using Census Bureau population figures from the two counties (Wake and Mecklenburg) for 2001 through 2011 and applying Excel's linear regression programs results in a projection that Wake County's population will rise to 1,037,462 in 2019, compared to 1,033,827 for

Mecklenburg County.⁸ Using this model, the Wake County total population will exceed that of Mecklenburg County by 3,635 people in 2011, making Wake County the most populous county in North Carolina.

The following table shows Wake County projected population July 2008 through July 2014 determined by the NC OSBM (Office of State Budget & Management).⁹

Wake County Population

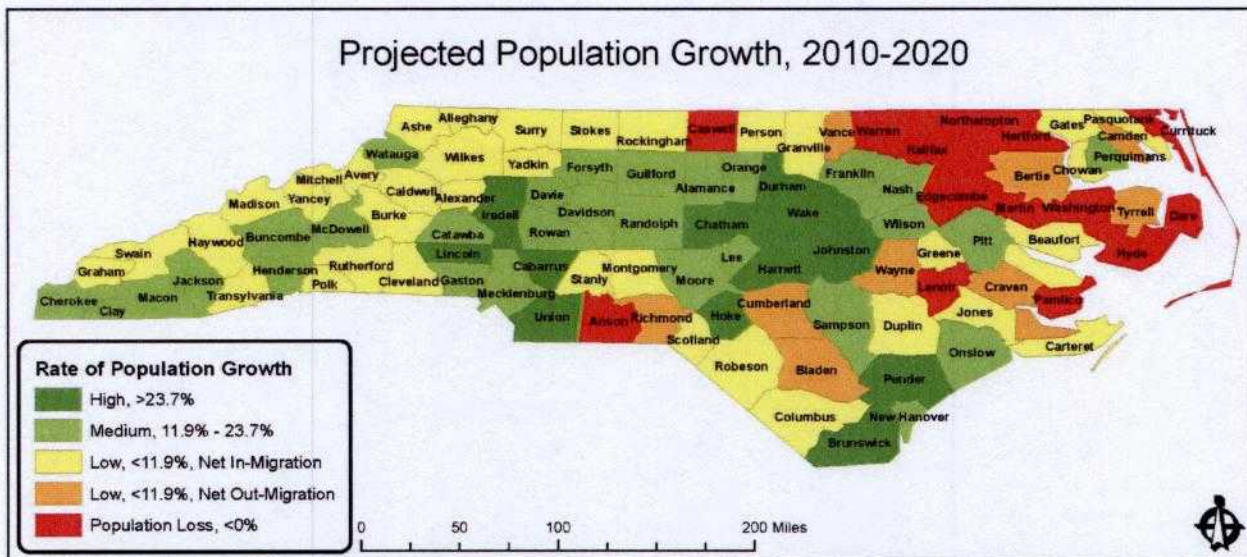
Year	2008	2009	2010	2011	2012	2013	2014	2008-2015 CAGR
Population	864,582	900,342	935,933	971,522	1,007,113	1,042,702	1,078,293	3.75%

Source: North Carolina Office of State Budget and Management (data accessed on July 14, 2009)

The previous table shows aggregate growth of 213,711 Wake County residents, which is approximately 25% during the years from 2008 through 2014. It also projects a healthy 3.75% compound annual growth rate over the next seven years. The NC OSBM projects Wake County will have a population of 1,612,144 in July 2029.¹⁰

The following North Carolina Office of State Budget & Management map illustrates that Wake County is expected to continue as a “high growth”, (rate of population growth >23.7%) county through 2020.

North Carolina Population Growth 2010-2020¹¹



Source: North Carolina Office of State Budget and Management

⁸ <http://triangle.bizjournals.com/triangle/stories/2009/05/11/daily46.html>

⁹ http://www.osbm.state.nc.us/ncosbm/facts_and_figures/socioeconomic_data/population_estimates/county_projects.htm

¹⁰ http://www.osbm.state.nc.us/ncosbm/facts_and_figures/socioeconomic_data/population_estimates/demog/county_totals_2020_2029.html

¹¹ http://www.osbm.state.nc.us/ncosbm/facts_and_figures/socioeconomic_data/population_estimates/demog/20102020growthmig.pdf

All Wake County municipalities have grown at extreme rates from 2000 – 2006. The population of Holly Springs/Fuquay-Varina has more than doubled from 2000 to 2008. Furthermore, Holly Springs and Fuquay-Varina combined in southern Wake County have grown more than any other Wake County municipality, except Cary and Raleigh, for the most recent 8-year period, as shown in the following table.

Wake County Municipalities Actual Population Growth: 2000 – 2006

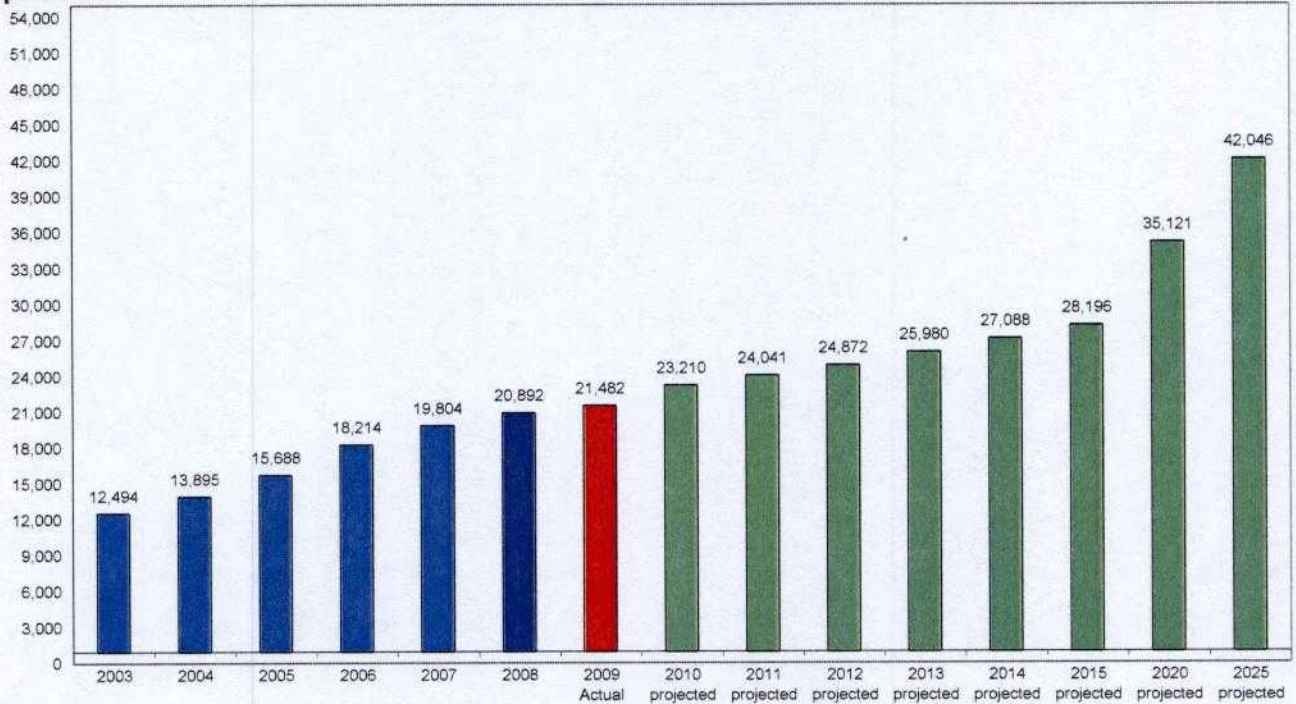
Geographic Area		April	July	Growth	
Cty	Municipality	2000	2006	Amount	%
North Carolina		8,046,813	8,860,341	813,528	10.11
Wake		627,865	790,007	162,142	25.82
1	Raleigh(Part)	276,094	352,259	76,165	27.59
2	Cary(Part)	94,517	122,075	27,558	29.16
	Holly Springs/Fuquay Varina	17,090	30,078	12,988	76.00
3	Wake Forest(Part)	12,588	22,371	9,783	77.72
4	Apex	20,212	28,830	8,618	42.64
5	Morrisville(Part)	5,208	13,501	8,293	159.24
6	Holly Springs	9,192	17,165	7,973	86.74
7	Garner	17,787	23,507	5,720	32.16
8	Fuquay-Varina	7,898	12,913	5,015	63.50
9	Knightdale	5,958	8,671	2,713	45.54
10	Wendell	4,247	5,421	1,174	27.64
11	Rolesville	907	1,792	885	97.57
12	Zebulon(Part)	4,046	4,781	735	18.17

Source: NC Office State Demographics

Moreover, the Town of Holly Springs is expecting the town’s population to continue to grow in the positive manner as illustrated by the graph below. See **Exhibit #3** attached to this petition.

Holly Springs Population Projections

Population



Fiscal Year Ending June 30, 2009

Note: Populations Projections based on 300 annual building permits over the next several years, increasing to 500 building permits by CY 2015 (apartment units are not included)

With the growth described above comes the need for services, to include local access to health care services and acute inpatient care and emergency department services in particular.

For the second straight year, Holly Springs has been named one of the nation's top 100 places to live by Relocate America, a website that connects relocating consumers and area residents with community resources. Given concerns about the nation's economy and housing market, Relocate America representatives said they approached the 2009 ranking differently than in previous years.

'We concentrated on the outlook for future growth and ability to rebound in the communities that we selected,' said Steve Nickerson, president and CEO. 'We looked at the local government and the business leadership in each community as we considered this year's winners. We selected communities with visionary leaders; improving or thriving economies, including housing; and realization of 'green' initiatives,' Nickerson said.

Relocate America's inclusion of Holly Springs reflects the town's growth, solid town finances, and adaptability to changing economic circumstances.¹²

In 2008, Holly Springs was one of five North Carolina communities that Relocate America chose as "America's Top 100 Places to Live." In 2007, Money Magazine named Holly Springs one of the best places to live in the country, ranking it 22nd among 100 Great American Towns.¹³ Holly Springs was one of three North Carolina towns on the list. Also in 2007, Forbes Magazine ranked Holly Springs 18th nationally and tops in North Carolina among the fastest growing suburbs between 2000 and 2006.¹⁴

In addition, signs welcoming visitors to Holly Springs still publicize its status as one of the fastest growing municipalities in North Carolina. In 1990, the Holly Springs' population was less than 1,000 people and today its population is about 21,000. Many newcomers were and continue to be attracted by housing prices in Holly Springs that were and are cheap compared to those in nearby Cary or Raleigh. The migration is further supported by the opening of the N.C. 55 Bypass, which reduces the commute to Research Triangle Park and other employment centers in the region. The rapid expansion in Holly Springs was facilitated by a solidly pro-development Holly Springs Town Council.¹⁵ See **Exhibit #4** for articles.

In addition, Holly Springs is one of three Wake County towns (including Apex and Wake Forest) considering budget increases for the coming fiscal year instead of deep cuts. Despite the recent downturn in the national economy, the budget proposed for the Town of Holly Springs by the Town Manger last month is up about 6 percent. This represents about a \$1.4 Million cushion that is allowing the Town Council and the Town Manager to add four staff members, expand sewer capacity, and build a new recreation center. Town officials see the current economic crisis as a speed bump. According to estimates from the Wake County Revenue Department the tax base in Holly Springs is projected to grow by 10.1% compared to 0.6% for Apex, 1.3% for Raleigh, and 2.2% for Cary.¹⁶ And even with the economic slowdown, the number of Holly Springs residents is expected to grow to 45,000 by 2020.

In Holly Springs, about half the increase in the town budget is attributable to a large economic development project: a Novartis vaccine plant now under construction in the business park off N.C. Highway 55 in Holly Springs. Over 1,100 full time employees are currently on site at the vaccine plant, consisting mostly of construction contractors. Two of five buildings for the 500,000 square foot vaccine manufacturing campus have been issued Certificates of Occupancy and official ribbon cutting for the opening will occur in fall 2009. When the factory opens later this year, Novartis is expected to add \$213 million to the town's property tax base. Currently,

¹² <http://www.hollyspringsnc.us/news/2009/relocate.html>

¹³ http://money.cnn.com/galleries/2007/moneymag/0707/gallery.BPTL_top_100.moneymag/22.html

¹⁴ http://www.forbes.com/2007/07/16/suburbs-growth-housing-forbeslife-cx_mw_0716realestate_2.html?partner=msnre

¹⁵ Sources: Raleigh News & Observer, June 15, 2009, "Holly Springs' fortunes rise"; Raleigh News & Observer, June 1, 2009, "Holly Springs booms while others struggle. Data from the Town of Holly Springs Economic Development Department. See **Exhibit #4**.

¹⁶ Sources: [WRAL.com](http://www.wral.com), June 1, 2009, "Holly Springs booms while others struggle"; Raleigh News & Observer, June 15, 2009, "Holly Springs' fortunes rise." See **Exhibit #4**.

over 130 full time Novartis employees are at work in Holly Springs and 350-400 employees are expected when construction is complete within the next 12-24 months. The capital investment in this plant exceeds \$600 Million and means jobs and a population influx for Holly Springs and the surrounding areas in southern Wake County. In mid-June 2009, Novartis announced that it had created the first batch of vaccine made by cell-based technology that may provide faster than the traditional method that relies on chicken eggs. The Novartis Plant based in Holly Springs, NC will use the cell-based processes. With global demand rising rapidly for a new flu vaccine, Novartis may seek to accelerate the FDA-approval process, which historically has taken up to two years.¹⁷ This is yet another concrete factor in why a community hospital, which would be possible with a determination of 42 new acute beds for Wake County, is necessary.

The massive commercial Novartis plant construction project is nearing completion in Holly Springs, just as the residential construction that had fueled the town's explosive growth in the 1990s-early 2000s has slowed. The Holly Springs Town Manager noted earlier this summer:

When we started talking about trying to get Novartis in here, we realized we weren't going to be able to keep building houses forever....The year the Novartis deal went through, we added 800 new homes. You just can't keep that kind of pace up."

"It's a timing thing....We have been struggling for so many years with [extraordinary] residential growth [in Holly Springs] that our commercial growth has taken a long time to catch up. Ours is coming to fruition now when everybody else's is sort of slacking off," said a Holly Springs Town Council Member in June 2009. Within three years, the town hopes to have 30 percent of its tax base as commercial property. With the addition of Novartis, as well as a recently opened Wal-Mart and a new shopping center anchored by a Harris Teeter grocery store, the ratio of residential-to-commercial properties will be a more reasonable 80-to-20 ratio. Holly Springs officials are working diligently not to get ahead of themselves and to manage the growth.¹⁸

Triangle Expressway

On July 13, 2009, Ray LaHood, Secretary, U.S. Department of Transportation, announced the approval of a \$386 million federal loan to help finance the 18.8-mile Triangle Expressway, a toll road planned for Research Triangle Park and western Wake County. The N.C. Turnpike Authority sold \$624 Million in bonds in mid-July 2009 for the Triangle Expressway, North Carolina's first modern tollway. Demand for the bonds was stronger than expected and should allow the turnpike agency to pay off its debt and stop collecting tolls earlier than anticipated. The \$1 billion in borrowed money would be spent to build the road and to operate and maintain it over the next 30 to 40 years and would be repaid from toll collections and a yearly state appropriation of \$25 million.¹⁹

The North Carolina Turnpike Authority's Triangle Expressway project is the state's first toll road. The toll road will connect N.C. Highway 147(near Research Triangle Park) to N.C.

¹⁷ Raleigh News & Observer, June 13, 2009, "Drug makers rush flu vaccines" and "Vaccines in Holly Springs"

¹⁸ Raleigh News & Observer, June 15, 2009, "Holly Springs' fortunes rise."

¹⁹ <http://www.newsobserver.com/news/story/1606474.html>; Raleigh News and Observer, July 15, 2009, Bonds raise \$624 million for toll road."

Highway 540, and extend N.C. Highway 540 to Holly Springs (12.6 mile Western Wake Freeway) as shown in the following map. The technology that the Turnpike Authority plans to use for toll-collection requires no cash and no stopping [...].”²⁰ The new road is expected to open to traffic by late 2011 for the RTP segment and by late 2012 for the roadway segment between RTP and Holly Springs (“the Western Wake Freeway”)²¹ See articles in **Exhibit #4**. Representative Paul Stam was a key legislative advocate in the North Carolina General Assembly for the Triangle Expressway project, and is a representative from southern Wake County.

Triangle Expressway



Source: North Carolina Turnpike Authority

As shown in the previous map, the Western Wake Freeway leg of the Triangle Expressway will end at Holly Springs in southern Wake County.

The proposed Western Wake Parkway identified in the North Carolina Department of Transportation (NCDOT) Transportation Improvement Program as Project No. R-2635 will provide a new six-lane, controlled access parkway in western Wake County, west of NC 55. The Western Wake Parkway will traverse the extraterritorial jurisdictions of Apex and Cary, as well as the Apex municipal limits. The Western Wake Parkway is an important link in the Raleigh Outer Loop (I-540) and will tie to the Northern Wake Parkway at NC 55 near Alston Avenue (SR 1630), north of Cary, and to the Southern Wake Parkway (TIP Nos. R-2721 and R-2828) at

²⁰ Id.

²¹ <http://www.ncturnpike.org/pdf/ClientTriangleExpresswayComprehensivTrafficandRevenueStudy.pdf>

the Holly Springs Bypass south of Apex. As part of the 70-mile Outer Loop, it will serve local traffic between western Wake County and north Raleigh.²²

The Western Wake Freeway will connect to the Triangle Parkway which will lead directly into Research Triangle Park. One of the oldest and largest science parks in North America, The Research Triangle Park (RTP) is a 7,000 acre development that is home to more than 170 companies employing over 40,000 full-time knowledge workers and an estimated 10,000 contract employees²³.

Clearly, the development and successful funding of this freeway, with one of its endpoints in Holly Springs, will further enhance the desirability of Holly Springs as a great place to live and to work. Once the segment connecting RTP to Holly Springs is opened in 2012, it will become even more imperative that local access to community hospital services be available in Holly Springs, as even more businesses and more families will find it beneficial to make Holly Springs their home.

Statement of Adverse Effects

ED visits have been increasing at Wake County hospitals emergency departments as they are across North Carolina (please see Attachment A-2). Over the past two years, the number of emergency patients admitted to inpatient hospital beds in Wake County increased over 10% from 2007 to 2008.

Wake County hospital patients and medical staff are faced with holding inpatient admissions in the emergency department until an acute care inpatient bed becomes available, which is less than optimal for the patient, family, and the physicians. Wait times will continue to increase if beds are not made available.

A more efficient and lasting solution would be to adjust the acute care inpatient day growth rate (through the use of the actual Statewide Acute Care Inpatient Day Growth Rate of **0.42%**) in Wake County, and recognize the continued growth in demand for acute care inpatient care resulting from the population growth in Wake County and the surrounding service area. This can best be addressed by a special need determination for **42 new** acute care beds in Wake County in the *2010 SMFP*.

Without the requested adjustment for **42** acute care beds in Wake County in the 2010 SMFP, patients will be left waiting to be admitted in triage rooms, recovery rooms, and emergency departments, and bottlenecks in acute inpatient admissions will occur. The approach used in this petition, consistent with the SMFP acute bed need method, takes into consideration the impact of the 41 new acute beds awarded by the CON Section to Wake Med North, which are not yet developed, and all other Wake County CON-approved (for existing providers), but undeveloped acute beds in Wake County.

²² http://www.ncturnpike.org/projects/Western_Wake/description.asp

²³ <http://www.rtp.org/main/index.php?pid=178&sec=1>

IV. Duplication of Health Care Resources

Evidence that health service development permitted by the proposed adjustment would not result in unnecessary duplication of health resources in Wake County

A duplication of health care resources suggests that there is/will be an excess of services within a market.

The data and the narrative provided in this Petition demonstrate that there a need in Wake County for additional acute care beds. The petitioner's calculation of the need for 42 new acute beds in Wake County in the 2010 SMFP takes into consideration the 41 new acute beds approved for Wake Med North (CON Project I.D. # J-8190-08) and the 18 additional Wake County NICU beds (specialized acute beds) which for Rex Healthcare and WakeMed filed CON applications in April 2009²⁴. A CON decision is expected on those 18 NICU beds before the end of 2009. As a result, there is not and will not be a duplication of health care resources in Wake County, as there are currently no existing acute care beds in southern Wake County/Holly Springs.

Today, the only "locally available" healthcare services in Holly Springs, a town of 21,000 and growing, are:

- physician offices
- urgent care center
- a CON-approved, but undeveloped outpatient center with simple imaging (x-ray, mammography, bone density), lab services, and urgent care²⁵

The eleven physician practices in Holly Springs include only:

- Three primary care physician offices
- One pediatrician's office
- One ophthalmologist's offices
- One part-time Allergy and Asthma office
- One part-time (one day per week) Obstetrician/Gynecologist satellite office
- One part -time Women's Services Nurse Practitioner
- Two Chiropractors' offices
- One Podiatrist's office

Any inpatient acute beds (or operating rooms or an emergency department) in southern Wake County in Holly Springs, would not be duplicative with the services above that are currently offered in Holly Springs.

In addition, the proposed special need determination for 42 new acute beds in Wake County in the 2010 SMFP would not be duplicative of the CON-approved Harnett Hospital project proposed for development in Lillington, NC. Although, part of northern Harnett County shares a

²⁴ CON Project I.D. #s J-8325-09 & J-8328-09.

²⁵ CON Project I.D. # J-8007-07, Rex Healthcare

border with southern Wake County, Lillington and Holly Springs are 20 miles and 30 minutes drive apart²⁶.

The CON-approved 50-bed community hospital, Harnett Health System (a multi-party venture including WakeMed, Betsy Johnson Regional Hospital, and Harnett County), a location in Lillington in Harnett County. However, as noted in the local newspaper, The Daily Record on May 21, 2009 the Harnett Health System Hospital will not be under development any time soon due to current economic uncertainties, locally and nationally:

“WakeMed CEO...briefed the Harnett County and Lillington Commissioners...on the state of health care in North Carolina and what it means locally. WakeMed CEO...tells a...group in Lillington that the long-delayed hospital in Lillington will be delayed further because of the economy. ... Due to uncertainty in the national economic outlook, [the WakeMed CEO] said WakeMed recently made \$70 million in cost reduction, including salary freezes. ...The system has done so in an effort to build up its cash on hand. ...[The] vice president for Ambulatory Services and Operations at WakeMed, offered an overview of funding options for the construction of the new hospital. She said the projected financial performance of the hospital made pursuing municipal bonds impossible. ...[I]nterest rates on HUD [Housing & Urban Development] loans are high at 7.25%, too high to be a viable option. ...Additionally, Harnett Health System would not meet HUD requirements for a loan. ...[A] potential lender, which may prove to be a more viable option, is the USDA...[but] before applications for the USDA funding can go out, an update on the project’s financial feasibility should be conducted. ...The only issue is that HUD has a lean [sic] on all assets, thus a lean [sic] waiver would be needed before pursuit of USDA loans. ...It’s a lot of red tape. ...Because the USDA rarely deals with hospital construction, ...it’s going to take some time. ...The projected date (for breaking ground) is off the table.” See **Exhibit #6** for copies of articles from The Daily Record, a newspaper serving Angier, Benson, Buies Creek, Burrlevel, Coats, Dunn, Enin, Falcon, Godwin, Lillington, Linden, & Newton Grove.

Thus, due to both distance and economic circumstances, a need determination for 42 new acute beds in Wake County would not be duplicative in any way of the proposed, but undeveloped replacement hospital in Lillington.

V. Consistency with Three Principles of the Governing the Development of the SMFP: Safety and Quality, Access and Value

Evidence that the requested adjusted need determination for 42 acute care beds in Wake County is consistent with the Basic Principles Governing the Development of the SMFP: Safety and Quality, Access and Value.

1. Safety and Quality Basic Principle

The State of North Carolina recognizes the importance of systematic and ongoing improvement in the quality of health services. Providing inpatient care in a timely and locally accessible

²⁶ Source: MapQuest.com

manner is a key component of assuring safety and quality care to the citizens of Wake County and in particularly southern Wake County. Emerging measures of quality address both favorable clinical outcomes and patient satisfaction, while safety measures focus on the elimination of practices that contribute to avoidable injury or death and the adoption of practices that promote and ensure safety. Providing readily available care in the appropriate local setting works to assure quality care, as well as patient safety. The proposed adjusted need determination for Wake County is consistent with this basic principle as it will result in the availability of care acute inpatient care in an appropriate setting in a timelier manner. As noted above, no inpatient, acute care services of any kind are current offered in southern most Wake County. The closest inpatient beds are in Cary, NC at the hospital, WakeMed Cary. Cary is 16 miles and at least a 20-minute drive from Holly Springs²⁷, unless there are bad traffic conditions, which are frequent at the present time. See **Exhibit # 7** for a copy of the Traffic Study conducted by a Project Analyst for the Town of Holly Springs.

2. Access Basic Principle

Equitable access to timely, clinically appropriate, and high quality health care for all the people of North Carolina is a foundation principle for the formulation and application of the *North Carolina State Medical Facilities Plan*. The formulation and implementation of the *North Carolina State Medical Facilities Plan* seeks to reduce all of these types of barriers to timely and appropriate access to healthcare services. The first priority is to ameliorate economic barriers and the second priority is to mitigate time and distance barriers. The *SMFP* is developed annually as a mechanism to assure the distribution of necessary health care services to various populations throughout North Carolina, i.e., geographic accessibility

In the 2009 review of the competing Wake County OR and Acute Bed CON applications, the Holly Springs Hospital proposal was determined by the CON Agency to be one of the most effective alternatives with regard to improving geographic access to acute care beds in Wake County.²⁸ The Agency findings, at page 208 stated:

“In this review, one of the applicants proposes to locate the new acute beds at an existing...hospital, and two of the applicants propose to locate the new acute... beds at new acute care hospitals. Rex Hospital proposes to add 41 beds at its main campus in Raleigh. Wake Med-North...proposes to locate the 41 beds at WakeMed North Healthplex, and develop a 61-bed hospital in northern Wake County. ...HSH [Holly Springs Hospital] proposes to locate the new 41 acute care beds in a new hospital to be constructed in Holly Springs in southern Wake County. Therefore, with regard to improving access to the proposed services [acute beds], the WakeMed North and HSH applications are determined to be more effective. ...” See **Exhibit #2**, page 208 of the Agency findings.

Furthermore, the February 2008 CON Agency findings also noted that the Holly Springs Hospital CON application was “more effective than any other applications in this review...with

²⁷ Source: MapQuest.com

²⁸ See CON Agency Findings for Holly Springs Hospital (CON Project I.D. #J-8190-08) at page 200. Copies of the relevant pages from the findings are attached to this petition as **Exhibit #2**.

regard to improving geographic access to [operating rooms].” See page 201 of the CON Agency findings for Project I.D. # J-8190-08, **Exhibit #2**.

In addition, on pages 86-89 of the Agency findings in the Wake County/Holly Springs Hospital 2008 CON review, the CON Section found that:

“[Holly Springs Hospital’s projected utilization of the proposed emergency department is based on reasonable and supported assumptions.” Page 88, CON Agency Findings, Project I.D. # J-8190-08. (**Exhibit #2**)

Thus, essentially in the 2008 proposal for the Holly Spring Hospital, the CON Agency found that the Holly Springs Hospital offered superior geographic access to acute inpatient beds and operating rooms, by placing these health resources in a proposed new community hospital in Holly Springs, in southern Wake County. This represents two of three elements (beds, ORs, emergency department) that form the nucleus of an acute care community hospital. In addition, the agency found that the projected ED visit volumes for the proposed Holly Springs Hospital were reasonable. Thus, today the petitioner is seeking the state’s approval for a special need determination in the 2010 SMFP for 42 new acute beds in Wake County, so that the Town of Holly Springs can have the opportunity to continue to address geographic accessibility, by creating real local access to both acute beds and surgical services in a southern Wake County community hospital setting.

Furthermore, the Health Care Needs Survey conducted by the Town of Holly Springs identifies a “community hospital” as a needed and desired healthcare resource in Holly Springs. See **Exhibit # 8**. See also the community letters of support included as **Exhibit #9**.

The proposed adjustment to identify 42 new acute beds for Wake County in the 2010 SMFP and to set the CON application filing dates for both the Wake County beds and the operating rooms on the same date will improve access to inpatient services for residents of Wake County, particular those residents in southern Wake County as previously discussed. Assuring the availability of acute care inpatient beds promotes access to needed acute care services.

3. Value Basic Principle

The SHCC defines health care value as maximum health care benefit per dollar expended. Disparity between demand growth and funding constraints for health care services increases the need for affordability and value in health services. Measurement of the cost component of the value equation is often easier than measurement of benefit. Cost per unit of service is an appropriate metric when comparing providers of like services for like populations.

The letters of support included in **Exhibit #9** also demonstrate that local community leaders in southern Wake County would work to put such acute beds in a setting that would maximize the benefit to the residents of southern Wake County, who lack local access to inpatient hospital care. The leadership of the Town of Holly Springs has already demonstrated that they are able to operate and grown their town in a way that yields a Town budget surplus, in even these tough economic times. So undoubtedly, the Town of Holly Springs would exercise great care and

diligence in identifying a partner to work with them to develop the proposed 42 new acute beds in Wake County that would maximize the healthcare benefit per dollar expended on the proposed hospital beds.

VI. Summary

The Petitioner requests an adjustment of need determination of **42 new inpatient medical-surgical acute care beds** for Wake County in Table 5A: Acute Care Bed Need Projections of the Proposed 2010 SMFP, based upon use of the actual Statewide Acute Care Inpatient Day Growth Rate of **0.42%**.

The proposed acute bed need adjustment for additional acute care beds in Wake County is based upon actual historical Wake County patient days and reasonable, conservative assumptions.

If the requested adjusted need determination for 42 acute care beds in Wake County is approved, Petitioner also requests that, consistent with the precedent established in the Certificate of Need Review Schedule for calendar year 2008, a **concurrent review for acute care beds and operating rooms in Wake County**²⁹ be established in the SMFP 2010 Certificate of Need Review Schedule.

Thank you in advance for consideration of this Petition.

File: 2010SMFP Wake Bed Petition.07.30.09.FINAL.doc

²⁹ Chapter 6 of the proposed 2010 SMFP includes a need determination for three new general use surgical operating rooms in Wake County.

Exhibit Index: Town Of Holly Springs Petition for 42 New Acute Beds in the 2010 SMFP

Exhibit #1: Documentation of Acute Bed Need Projections for Wake County for 2010 SMFP

Exhibit #2: Selected Pages, CON Agency Findings, Holly Springs Hospital, CON Project I.D. # J-8190-08

Exhibit #3: Holly Springs Population Growth: 2003 – 2025

Exhibit #4: Articles Regarding Holly Springs

Exhibit #5: List of Current Local Health Services Available in Holly Springs, NC

Exhibit #6: Harnett Health System News Articles (Project Status)

Exhibit #7: Traffic Study (Holly Springs to Cary; Holly Springs to Apex)

Exhibit #8: Town of Holly Springs Health Care Needs Survey

Exhibit #9: Letters of Support

Wake County - Inpatient Day Growth Rate

Facility	Health Service Area	Licensed and CON Approved Bed Capacity	SMFPs					
			FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007	FFY 2008
WakeMed - Raleigh Campus	4	575	198,756	191,257	158,980	166,249	175,351	177,318
Rex Hospital, Inc.	4	433	97,307	98,503	94,427	100,098	101,520	106,947
Duke Health Raleigh Hospital	4	186	27,524	31,085	28,724	22,268	23,185	23,215
WakeMed Cary Hospital	4	156	0	0	34,013	35,260	36,625	38,542
Total		1,350	323,587	320,845	316,144	323,875	336,681	346,022
Annual Growth Rate				-0.85%	-1.47%	2.45%	3.95%	2.77%
Three Year Growth Rate						0.04%	1.64%	3.06%

Source: Annual SMFPs and Proposed 2010 SMFP; Table 5A

Wake County - Inpatient Day Growth Rate

Facility	County	Health Service Area	Licensed and CON Approved Bed Capacity	SMFPs					
				FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007	FFY 2008
Chatham Hospital, Inc.	Chatham	4	25	2552	2,545	2,475	2,638	2,855	3,341
Duke University Hospital	Durham	4	924	211980	230,239	230,700	236,215	235,196	242,051
Durham Regional Hospital	Durham	4	316	66005	68,336	66,096	62,567	63,487	64,752
North Carolina Specialty Hospital	Durham	4	18	0	1,678	2,047	3,163	2,505	3,248
Franklin Regional Medical Center	Franklin	4	70	9261	10,444	13,043	13,335	13,645	11,342
Granville Medical Center	Granville	4	62	7752	7,436	7,825	7,072	7,280	8,077
Johnston Memorial Hospital	Johnston	4	179	33277	33,836	36,599	38,110	38,576	37,952
Central Carolina Hospital	Lee	4	127	23464	21,969	19,491	19,468	20,645	19,687
University of North Carolina Hospitals	Orange	4	693	159160	173,800	171,845	176,345	193,172	199,848
Person Memorial Hospital	Person	4	50	7110	10,784	11,529	8,731	11,868	9,717
Maria Parham Hospital Medical Center	Vance	4	91	20847	21,080	20,604	21,651	20,106	19,892
WakeMed - Raleigh Campus	Wake	4	575	198756	191,257	158,980	166,249	175,351	177,318
Rex Hospital, Inc.	Wake	4	433	97307	98,503	94,427	100,098	101,520	106,947
Duke Health Raleigh Hospital	Wake	4	186	27524	31,085	28,724	22,268	23,185	23,215
WakeMed Cary Hospital	Wake	4	156	0	0	34,013	35,260	36,625	38,542
Total				864,995	902,992	898,398	913,170	946,016	965,929
Annual Growth Rate					4.39%	-0.51%	1.64%	3.60%	2.10%
Three Year Avg Growth Rate							1.84%	1.58%	2.45%

Source: Annual SMFPs and Proposed 2010 SMFP; Table 5A

North Carolina - Inpatient Day Growth Rate - Data Source Table 5A of SMFP

Facility	County	Health Service Area	Licensed and CON Approved Bed Capacity	SMFPs					
				FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007	FFY 2008
Alamance Regional Medical Center	Alamance	2	182		41,231	42,441	40,888	43,733	45,843
Alleghany Memorial Hospital	Alleghany	1	41		3,339	3,427	2,602	2,399	2,785
Anson Community Hospital	Anson	5	52		6,469	6,241	5,962	5,367	4,152
Ashe Memorial Hospital, Inc.	Ashe	1	76		5,464	5,370	5,534	5,070	5,182
Charles A. Cannon, Jr. Memorial Hospital	Avery	1	30		10,446	8,915	6,505	5,965	6,433
Beaufort County Hospital Association, Inc.	Beaufort	6	120		13,830	16,311	11,416	10,684	7,987
Pungo District Hospital	Beaufort	6	39		2,652	2,620	2,289	2,369	2,259
Bertie Memorial Hospital	Bertie	6	6		914	1,256	1,470	1,566	1,578
Bladen County Hospital	Bladen	5	48		4,843	4,937	4,534	4,729	3,794
Brunswick Community Hospital	Brunswick	5	74		11,703	12,167	12,197	11,205	11,513
Dosher Memorial Hospital	Brunswick	5	36		5,737	4,393	4,577	4,696	4,630
Memorial Mission Hospital	Buncombe	1	673		170,460	170,709	176,440	182,390	186,888
Grace Hospital, Inc.	Burke	1	162		21,131	22,088	20,897	20,151	20,541
Valdese General Hospital, Inc.	Burke	1	131		13,623	12,994	12,439	12,151	11,794
CMC NorthEast Medical Center	Cabarrus	3	447		83,642	90,833	92,686	98,475	105,542
Caldwell Memorial Hospital, Inc.	Caldwell	1	110		14,378	15,221	15,986	15,095	17,505
Carteret County General Hospital	Carteret	6	135		31,691	29,520	30,290	28,952	27,483
Frye Regional Medical Center	Catawba	1	209		60,098	52,717	49,159	48,577	47,695
Catawba Valley Medical Center	Catawba	1	200		36,313	36,821	35,928	39,233	39,713
Chatham Hospital, Inc.	Chatham	4	25		2,545	2,475	2,638	2,855	3,341
Murphy Medical Center, Inc.	Cherokee	1	57		9,117	8,604	8,400	8,000	8,473
Chowan Hospital	Chowan	6	49		7,317	6,982	6,968	6,596	6,988
Cleveland Regional Medical Center	Cleveland	1	241		43,030	43,332	44,056	37,094	37,156
Kings Mountain Hospital	Cleveland	1	72		9,153	9,942	7,980	7,171	7,025
Crawley Memorial Hospital	Cleveland	1	0		105	91	21	9	1
Columbus County Hospital, Inc.	Columbus	5	154		25,887	26,241	24,905	25,813	18,581
Craven Regional Medical Center	Craven	6	307		76,924	77,809	75,750	78,365	77,706
Cape Fear Valley Medical Center	Cumberland	5	531		134,898	132,678	134,128	136,755	145,017
Highsmith-Rainey Memorial Hospital	Cumberland	5	66		3,670	0	0	0	0
The Outer Banks Hospital, Inc.	Dare	6	21		4,625	4,116	3,862	3,644	3,634
Thomasville Medical Center	Davidson	2	123		14,554	15,018	13,907	13,498	12,900
Lexington Memorial Hospital, Inc.	Davidson	2	94		11,644	13,147	13,188	11,661	11,231
Davie County Hospital	Davie	2	81		1,155	1,106	1,486	1,264	1,420
Duplin General Hospital	Duplin	6	61		12,616	11,536	9,776	11,459	11,401
Duke University Hospital	Durham	4	924		230,239	230,700	236,215	235,196	242,051
Durham Regional Hospital	Durham	4	316		68,336	66,096	62,567	63,487	64,752
North Carolina Specialty Hospital	Durham	4	18		1,678	2,047	3,163	2,505	3,248
Heritage Hospital	Edgecombe	6	101		13,229	13,326	12,857	14,054	15,631
Forsyth Memorial Hospital, Inc.	Forsyth	2	803		198,358	202,374	204,918	208,327	210,295
North Carolina Baptist Hospital	Forsyth	2	802		197,823	197,023	204,591	213,567	218,898
Medical Park Hospital	Forsyth	2	22		5,422	6,246	5,608	5,684	4,906
Franklin Regional Medical Center	Franklin	4	70		10,444	13,043	13,335	13,645	11,342
Gaston Memorial Hospital, Inc	Gaston	3	372		92,437	92,850	92,548	87,990	81,162
Granville Medical Center	Granville	4	62		7,436	7,825	7,072	7,280	8,077
Moses H. Cone Memorial Hospital	Guilford	2	777		195,128	198,106	194,847	192,620	192,429
High Point Regional Health System	Guilford	2	307		75,395	71,198	69,036	72,495	67,906

North Carolina - Inpatient Day Growth Rate - Data Source Table 5A of SMFP

Facility	County	Health Service Area	Licensed and CON Approved Bed Capacity	SMFPs					
				FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007	FFY 2008
Halifax Regional Medical Center, Inc.	Halifax	6	186		35,344	31,269	31,797	33,124	33,056
Our Community Hospital	Halifax	6	20		377	158	189	139	52
Betsy Johnson Regional Hospital	Harnett	5	101		19,648	23,677	27,957	28,675	27,358
Harnett Health System	Harnett	5	50		0	0	0	0	0
Good Hope	Harnett	5	34		7,264	5,978	705	0	0
Haywood Regional Medical Center	Haywood	1	153		20,954	20,525	19,998	21,412	14,217
Pardee Memorial Hospital	Henderson	1	193		29,564	28,797	27,504	26,797	23,211
Park Ridge Hospital	Henderson	1	62		14,697	14,127	13,112	13,397	14,135
Roanoke-Chowan Hospital	Hertford	6	86		16,634	17,298	15,940	15,220	14,323
Iredell Memorial Hospital, Incorporated	Iredell	3	199		44,576	45,969	42,880	41,817	40,708
Lake Norman Regional Medical Center	Iredell	3	123		30,097	31,616	28,474	27,757	27,321
Davis Regional Medical Center	Iredell	3	102		18,778	18,635	17,519	16,644	16,476
Harris Regional Hospital, Inc.	Jackson	1	86		18,160	17,698	17,774	19,445	18,293
Johnston Memorial Hospital	Johnston	4	179		33,836	36,599	38,110	38,576	37,952
Central Carolina Hospital	Lee	4	127		21,969	19,491	19,468	20,645	19,687
Lenior Memorial Hospital	Lenoir	6	218		47,518	47,982	45,366	43,336	46,226
CMC - Lincoln	Lincoln	3	101		15,776	14,543	14,833	15,624	15,253
Angel Medical Center, Inc.	Macon	1	59		4,967	5,309	4,754	5,655	5,607
Highlands-Cashiers Hospital, Inc.	Macon	1	24		1,633	1,546	1,074	756	919
Martin General Hospital	Martin	6	49		7,606	7,651	7,350	7,894	7,965
The McDowell Hospital, Inc.	McDowell	1	65		9,413	8,432	7,389	7,307	6,525
Carolinas Medical Center	Mecklenburg	3	795		223,625	220,722	227,068	228,343	233,864
Presbyterian Hospital	Mecklenburg	3	539		135,649	142,038	149,608	159,139	154,618
CMC Mercy/Pineville	Mecklenburg	3	330		53,782	54,186	54,807	56,294	61,844
Presbyterian Matthews	Mecklenburg	3	114		20,488	22,342	25,644	27,408	30,779
CMC - University	Mecklenburg	3	94		23,029	21,219	20,570	21,378	21,979
Presbyterian Huntersville	Mecklenburg	3	75		0	8,802	13,808	15,993	17,081
Presbyterian Orthopaedic	Mecklenburg	3	64		12,428	12,838	13,001	12,915	12,803
Spruce Pine Community Hospital	Mitchell	1	46		7,223	6,673	6,158	6,410	6,568
FirstHealth Montgomery Memorial Hospital	Montgomery	5	37		2,425	2,336	1,989	1,568	1,835
FirstHealth Moore Reg. Hosp	Moore	5	320		80,761	75,770	74,037	78,816	73,264
Nash General Hospital	Nash	6	270		59,119	60,010	58,039	58,151	56,687
New Hanover Regional Medical Center	New Hanover	5	647		151,717	155,945	152,173	147,013	139,307
Onslow Memorial Hospital, Inc.	Onslow	6	162		29,998	31,140	33,454	32,776	33,350
University of North Carolina Hospitals	Orange	4	693		173,800	171,845	176,345	193,172	199,848
Albemarle Hospital	Pasquotank	6	182		37,884	36,346	32,548	31,121	27,437
Pender Memorial Hospital, Inc.	Pender	5	43		3,986	4,336	4,279	3,603	5,647
Person Memorial Hospital	Person	4	50		10,784	11,529	8,731	11,868	9,717
Pitt County Memorial Hospital, Inc.	Pitt	6	734		183,906	188,014	189,924	196,651	197,218
St. Lukes	Polk	1	45		5,511	4,898	3,352	3,493	3,521
Randolph Hospital	Randolph	2	145		24,424	23,693	23,577	24,464	27,782
FirstHealth Richmond Memorial Hospital	Richmond	5	99		15,128	15,174	14,150	14,171	12,731
Sandhills Regional Medical Center	Richmond	5	60		11,791	13,292	13,559	13,227	11,962
Southeastern Regional Medical Center	Robeson	5	292		69,477	68,218	62,340	61,776	60,085
Annie Penn Hospital	Rockingham	2	110		17,246	17,914	17,778	16,465	13,555
Morehead Memorial Hospital	Rockingham	2	108		22,458	23,154	22,897	24,150	21,894

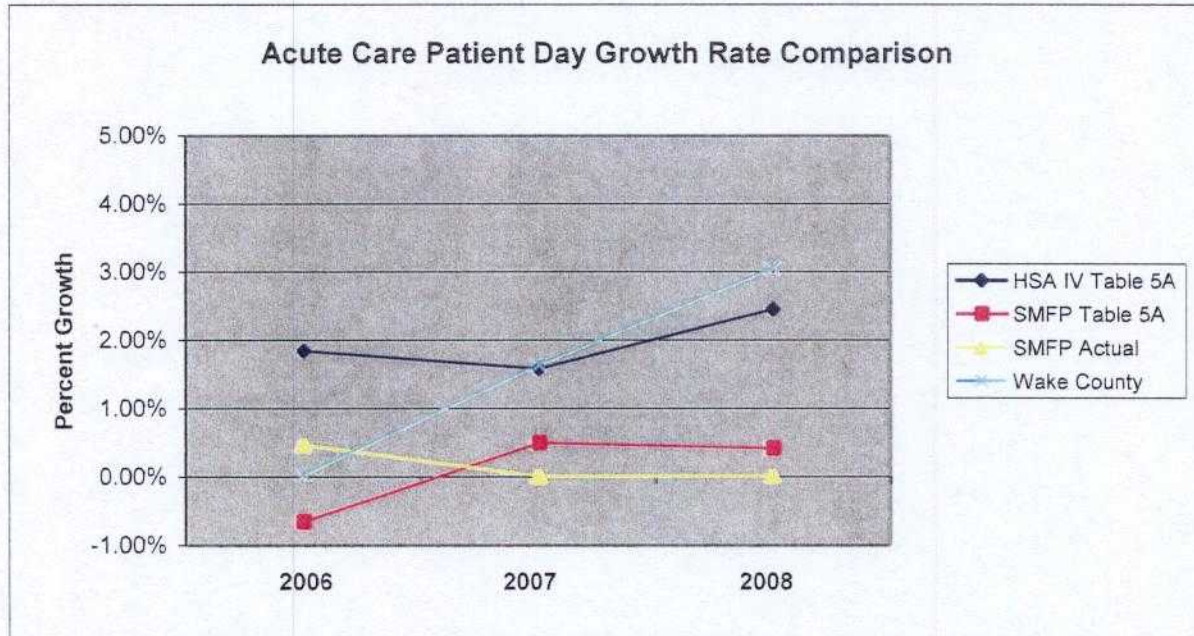
North Carolina - Inpatient Day Growth Rate - Data Source Table 5A of SMFP

Facility	County	Health Service Area	Licensed and CON Approved Bed Capacity	SMFPs						
				FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007	FFY 2008	
Rowan Regional Medical Center, Inc.	Rowan	3	223		39,401	37,002	36,768	35,958	34,559	
Rutherford Hospital, Inc.	Rutherford	1	129		19,290	18,110	19,100	18,989	17,359	
Sampson Regional Medical Center	Sampson	5	116		18,149	20,561	17,762	15,749	12,653	
Scotland Memorial Hospital, Inc.	Scotland	5	118		26,337	26,367	25,732	24,557	24,706	
Stanly Memorial Hospital, Inc.	Stanly	3	97		19,958	18,555	16,932	14,763	14,101	
Stokes-Reynolds Memorial Hospital, Inc.	Stokes	2	53		3,490	1,696	1,649	1,365	842	
Northern Hospital District of Surry County	Surry	2	100		17,030	17,032	17,144	16,678	15,719	
Hugh Chatham Hospital	Surry	2	81		11,174	13,356	15,613	16,475	18,817	
Swain County Hospital	Swain	1	48		1,720	1,799	1,874	1,645	1,607	
Transylvania Community Hospital, Inc.	Transylvania	1	42		6,209	5,909	6,113	6,406	5,829	
CMC - Union	Union	3	157		30,584	31,000	33,398	36,629	40,362	
Maria Parham Hospital Medical Center	Vance	4	91		21,080	20,604	21,651	20,106	19,892	
WakeMed - Raleigh Campus	Wake	4	575		191,257	158,980	166,249	175,351	177,318	
Rex Hospital, Inc.	Wake	4	433		98,503	94,427	100,098	101,520	106,947	
Duke Health Raleigh Hospital	Wake	4	186		31,085	28,724	22,268	23,185	23,215	
WakeMed Cary Hospital	Wake	4	156		0	34,013	35,260	36,625	38,542	
Washington County Hospital	Washington	6	12		2,834	2,610	2,458	2,140	1,849	
Watauga Medical Center, Inc.	Watauga	1	117		24,915	23,836	23,519	22,661	21,199	
Blowing Rock Hospital	Watauga	1	28		1,041	963	774	683	585	
Wayne Memorial Hospital, Inc.	Wayne	6	255		60,930	60,210	59,606	59,380	60,022	
Wilkes Regional Medical Center	Wilkes	1	120		19,207	21,524	21,502	17,707	16,184	
Wilson Medical Center	Wilson	6	198		33,516	34,564	35,131	33,691	34,631	
Hoots Memorial Hospital, Inc.	Yadkin	2	22		943	1,101	679	1,002	1,069	
Total					4,537,876	4,445,232	4,455,569	4,448,930	4,511,691	4,511,555
Annual Growth Rate						-2.04%	0.23%	-0.15%	1.41%	0.00%
Three Year Avg Growth Rate							-0.65%	0.50%	0.42%	

Source: Annual SMFPs and Proposed 2010 SMFP, Table 5A

Wake County, North Carolina SMFP Table 5A, and HSA IV - Inpatient Day Growth Rate Compared to SMFP Growth Rate

	2008 Growth Rates – Avg. 3 Yr.	2009 Growth Rates – Avg. 3 Yr.	2010 Growth Rates – Avg. 3 Yr.
HSA IV Table 5A	1.84%	1.58%	2.45%
SMFP Table 5A	-0.65%	0.50%	0.42%
SMFP Actual	0.47%	0.01%	0.02%
Wake County	0.04%	1.64%	3.06%



Wake County - Projected Inpatient Beds Based upon Table 5A State Growth Rate

A	B	C	D	E	F	G	H	I	J	K
License Number	Hospital	County	Licensed Acute Care Beds	CON Adjustments	2008 Thomson Patient Days	6 Years Growth @ 0.42% NC Growth Rate (Table 5A)	2014 Projected ADC	2014 Beds Adjusted for Target Occupancy	Projected 2014 Deficit or Surplus (-)	2014 Need Determination
H0238	Duke Health	Wake	186	0	23,215	23,800	65	98	-88	
H0065	Rex Hospital	Wake	425	8	106,947	109,642	300	399	-34	
H0276	WakeMed Ca	Wake	156	0	38,542	39,513	108	152	-4	
H0199	WakeMed Ra	Wake	515	60	177,318	181,786	498	662	87	
	WakeMed Total		671	60	215,860	221,300	606	814	83	83
	2008 SMFP Need			41						
	2009 SMFP Need			18						
	Wake County Total		1,282	127						42
Designated as NICU Only										

COMPARATIVE ANALYSIS

Pursuant to N.C. General Statute 131E-183(a)(1) and the 2008 SMFP, no more than 41 acute care beds may be approved for Wake County. Because the three applications in this review propose a total of 123 acute care beds, all of the applications cannot be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the analyst conducted a comparative analysis of the proposals to decide which proposal should be approved. For the reasons set forth below and in the rest of the findings, the application submitted by WakeMed and WakeMed Property Services, Project I.D. # J-8180-08, is approved and the other applications are denied.

Geographic Accessibility

The 2008 SMFP identifies a need for 41 acute care beds for Wake County. The following table identifies the location of the existing acute care beds in Wake County.

Facility	Location Within Wake County	City/Town
Duke Raleigh Hospital	Central	Raleigh
Rex Hospital	Central	Raleigh
WakeMed Cary Hospital	Southwestern	Cary
WakeMed Raleigh Campus	Central	Raleigh

In this review, one of the applicants proposes to locate the new acute care beds at an existing acute care hospital, and two of the applicants propose to locate the new acute care beds at new acute care hospitals. Rex Hospital proposes to add 41 acute care beds at its main campus in Raleigh. WakeMed North-Beds proposes to locate the 41 new acute care beds at WakeMed North Healthplex, and develop a new 61-bed hospital in northern Wake County. WakeMed was previously approved (Project I.D. #J-7843-07) to relocate 20 acute care beds from WakeMed Raleigh Campus to WakeMed North Healthplex. HSH proposes to locate the new 41 acute care beds in a new hospital to be constructed in Holly Springs in southern Wake County. Therefore, with regard to improving geographic access to the proposed services, the WakeMed North and HSH applications are determined to be more effective than the Rex Hospital application.

Demonstration of Need

WakeMed North-Beds adequately demonstrated that the number of inpatient days of care they projected to provide is reasonable and adequately demonstrated the need the population they propose to serve has for the proposed acute care beds. Rex Hospital did not adequately demonstrate the need the population they propose to serve has for the proposed acute care beds. See Criterion (3) and 10A NCAC 14C .3803(a) and (b) for discussion. Also, HSH did not adequately demonstrate the need the population they propose to serve has for the proposed acute care beds. See Criterion (3) and 10A NCAC 14C .3803(a) and (b), and 10A NCAC 14C .1203(a)(2) for discussion.

Financial Feasibility

WakeMed North-Beds adequately demonstrated that the financial feasibility of the proposed project is based upon reasonable projections of costs and revenues. See Criterion (5) for discussion. Rex Hospital and HSH failed to adequately demonstrate that the financial feasibility of the proposed project is based upon reasonable projections of costs and revenues. See Criterion (5) for discussion.

Coordination with Existing Health Care System

Rex Hospital and WakeMed North adequately demonstrated that the project will be coordinated with the existing healthcare system. HSH did not adequately demonstrate that the project will be coordinated with the existing healthcare system. See Criterion (8) for discussion.

Access by Underserved Groups

The following table illustrates each applicants' projected percentage of hospital services to be provided to Medicaid and Medicare recipients in the second year following completion of the project, as stated by the applicants in Section VI.14(a) of the applications.

Applicant	Projected Percentage of Services to be Provided to Medicare Recipients	Projected Percentage of Services to be Provided to Medicaid Recipients
WakeMed North	17.58%	21.33%
HSH	40.45%	9.30%
Rex Hospital	27.88%	5.28%

With regard to access by Medicaid recipients, WakeMed North Healthplex projects the highest percentage of total services to be provided to Medicaid recipients. Rex Hospital projects the lowest percentage of total services to be provided to Medicaid recipients of the applicants. With regard to access by Medicare recipients, HSH projects the highest and WakeMed North Healthplex projects the lowest percentage of total services to be provided to Medicare recipients. See Criterion (13c) for additional discussion.

Revenue

The following table shows the gross revenue per inpatient day for the third operating year for each applicant. Gross revenues and inpatient days are taken from Form C of the applications.

Gross Revenue Comparison - Third Year of Operation

Applicant	Gross Revenue	Inpatient Days	Gross Revenue Per Inpatient Day
Rex Hospital	\$991,234,877	136,565	\$7,258
WakeMed North	\$121,334,760	16,644	\$7,290
HSH	\$46,298,726	13,485	\$3,433

As shown in the table above, HSH projects the lowest gross revenue per patient day in the third year of operation. However, the gross revenues for HSH are based on projections of a number of inpatient days to be provided that are unsupported and unreliable. See Criterion (3) for discussion. Rex Hospital projects the next lowest gross revenue per patient day in the third year of operation. However, the gross revenues for Rex Hospital are based on projections of a number of inpatient days to be provided that are unsupported and unreliable. See Criterion (3) for discussion. Therefore, WakeMed North projects the lowest gross revenue per inpatient day that is based on reasonable and supported projections of inpatient days to be provided.

The following table shows the net revenue per inpatient day for the third operating year for each applicant. Net revenues are taken from Form C of the applications.

Net Revenue Comparison - Third Year of Operation

Applicant	Net Revenue	Inpatient Days	Net Revenue Per Inpatient Day
Rex Hospital	\$350,382,895	136,565	\$2,566
WakeMed North	\$37,033,727	16,644	\$2,225
HSH	\$25,684,795	13,485	\$1,905

As shown in the table above, HSH projects the lowest net revenue per inpatient day in the third year of operation. However, the net revenues for HSH are based on projections of a number of inpatient days to be provided that are unsupported and unreliable. See Criterion (3) for discussion. Therefore, WakeMed North projects the lowest net revenue per inpatient day that is based on reasonable and supported projections of inpatient days to be provided.

Operating Expenses

The following table shows the operating expenses per inpatient day for the third operating year for each applicant. Operating expenses are taken from Form C of the applications.

Operating Expenses Comparison - Third Year of Operation

Applicant	Operating Expenses	Inpatient Days	Operating Expenses Per Surgical Case
Rex Hospital	\$370,127,188	136,565	\$2,710
WakeMed North	\$34,308,864	16,644	\$2,061
HSH	\$24,149,920	13,485	\$1,791

As shown in the table above, HSH projects the lowest operating expense per inpatient day in the third year of operation. However, the operating expenses for HSH are based on projections of a number of inpatient days to be provided that are unsupported and unreliable. See Criterion (3) for discussion. Therefore, WakeMed North projects the lowest operating expense per inpatient day that is based on reasonable and supported projections of inpatient days to be provided in the third year of operation.

Documentation of Physician Support

Documentation of support from Wake County physicians for a proposed project to add new acute care beds is considered an important factor in this review. In Exhibit 29, WakeMed North provided letters from 160 Wake County physicians expressing their support for the proposed project to add 41 acute care beds to the WakeMed North Healthplex facility in northern Wake County. In Exhibit 22, Rex Hospital provided letters from 93 Wake County physicians expressing their support for the proposed project to add 41 acute care beds to the Rex Hospital main campus in Raleigh. In Exhibit 14 of the application, HSH provided letters from 11 Wake County physicians expressing their support for the proposed project to construct a new 41-bed hospital in southern Wake County. Therefore, with regard to documentation of physician support from Wake County physicians, WakeMed North is determined to be the most effective alternative, and HSH is determined to be the least effective alternative.

SUMMARY

The following is a summary of the reasons **WakeMed North-Beds** is determined to be the most effective alternative in this review:

WakeMed North-Beds

- Adequately documents the need the population to be served has for the proposed acute care beds. See Criteria (3) and (6) for discussion.
- Adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. See Criterion (5) for discussion.
- Adequately demonstrates that the proposed services will be coordinated with the existing health care system. See Criterion (8) for discussion.
- Projects the highest percentage of total services to be provided to Medicaid recipients of all the applicants.

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Acute Care Beds and ORs
Wake County 2008

- Projects the lowest gross revenue per inpatient day that is based on reasonable and supported projections of inpatient days to be provided in the third year of operation.
- Projects the lowest net revenue per inpatient day that is based on reasonable and supported projections of inpatient days to be provided in the third year of operation.
- Projects the lowest operating expense per inpatient day that is based on reasonable and supported projections of inpatient days to be provided in the third year of operation.
- Provides the most documentation of physician support from Wake County physicians of the applicants.

The following is a summary of the reasons each of the other applicants is found to be a less effective alternative than **WakeMed North-Beds**.

Rex Hospital

- Failed to adequately document the need for the level of services it proposed to provide. See Criteria (3), (6) and 10A NCAC 14C .3803 (a) and (b) for discussion.
- Failed to demonstrate that the financial feasibility of the project is based on reasonable projections of costs and revenues. See Criterion (5) for discussion.
- Projects the lowest percentage of total services to be provided to Medicaid recipients of all the applicants.
- Projects the highest net revenue per inpatient day in the third year of operation.
- Projects the highest operating expense per inpatient day in the third year of operation.
- Proposes a location for the acute care beds that is less effective with regard to improving geographic accessibility.

HSH

- Failed to adequately document the need for the level of services it proposed to provide. See Criteria (3), (6) and 10A NCAC 14C .3803 (a) and (b), and 10A NCAC 14C .1203(a)(2) for discussion.
- Failed to demonstrate that the financial feasibility of the project is based on reasonable projections of costs and revenues. See Criterion (5) for discussion.
- Failed to adequately demonstrate that the proposed services will be coordinated with the existing health care system. See Criterion (8) for discussion.
- Projects a lower percentage of total services to be provided to Medicaid recipients than the approved applicant.
- Provides the least documentation of physician support from Wake County physicians of the applicants.

CONCLUSION

NC General Statute 131E 183 (a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the CON Section. The CON Section determined that the application submitted by WakeMed North-Beds is the most effective alternative proposed in this review for 41 acute care beds in Wake County and is

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Acute Care Beds and ORs
Wake County 2008

approved. The approval of any other application would result in the approval of acute care beds in excess of the need determination in the SMFP and therefore, all of the competing applications are denied.

The application submitted by WakeMed North-Beds is approved subject to the following conditions.

1. WakeMed (Lessee) and WakeMed Property Services (Lessor) shall materially comply with all representations made in Project I. D # J-7843-07, as amended by the settlement agreement, and this certificate of need application (J-8180-08). In those instances in which representations conflict, WakeMed (Lessee) and WakeMed Property Services (Lessor) shall materially comply with the last-made representation.
2. WakeMed (Lessee) and WakeMed Property Services (Lessor) shall comply with the conditions of approval of Project ID # J-7843-07 except as specifically amended by this application.
3. WakeMed (Lessee) and Wake Property Services (Lessor) shall add 41 new acute care beds at WakeMed North Healthplex, for a total 61 licensed acute care beds upon completion of this project and Project I.D. #J-7843-07.
4. Upon completion of this project and Project I.D. # J-7843-07, WakeMed Raleigh Campus will be licensed for 555 acute care beds, and the total number of licensed acute care beds on both campuses (WakeMed North Healthplex and WakeMed Raleigh Campus) will be 616.
5. WakeMed (Lessee) and Wake Property Services (Lessor) shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application or that would otherwise require a certificate of need.
6. WakeMed (Lessee) and Wake Property Services (Lessor) shall acknowledge acceptance of and agree to comply with all conditions states herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.

COMPARATIVE ANALYSIS

Pursuant to N.C. General Statute 131E-183(a)(1) and the 2008 SMFP, no more than four operating rooms may be approved for Wake County. Because the six applications in this review propose a total of eighteen operating rooms, all of the applications cannot be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the analyst conducted a comparative analysis of the proposals to decide which proposal should be approved. For the reasons set forth below and in the rest of the findings, the application submitted by OSCR, Project I.D. # J-8170-08, is approved and the other applications are denied.



Geographic Accessibility : ORs

The 2008 SMFP identifies a need for four operating rooms for Wake County. The following table identifies the location of the existing and approved operating rooms in Wake County.

Facility	Surgical Facility Type*	Location Within Wake County	City/Town
Blue Ridge Surgery Center	MS	Central	Raleigh
Duke Raleigh Hospital	MS	Central	Raleigh
Raleigh Plastic Surgery	SS	Central	Raleigh
Raleigh Women's Health	SS	Central	Raleigh
Southern Eye Associates	SS	Central	Raleigh
Rex Healthcare of Wakefield **	MS	Northern	N. Raleigh
Rex Hospital	MS	Central	Raleigh
Rex Surgery Center of Cary	MS	Southwestern	Cary
WakeMed Apex Day Surgery**	MS	Southwestern	Apex
WakeMed Cary Hospital	MS	Southwestern	Cary
WakeMed North Healthplex	MS	Northern	N. Raleigh
WakeMed Raleigh Campus	MS	Central	Raleigh

*MS = Multi-specialty; SS = Single-specialty.

**Approved by the Certificate of Need Section, but not currently operational.

In this review, three of the applicants propose to locate additional operating rooms at existing surgical facilities or hospitals: WakeMed North-OR proposes to locate two additional operating rooms at WakeMed North Healthplex, WakeMed Cary-OR proposes to locate two additional operating rooms at WakeMed Cary Hospital, and BRSC proposes to locate two additional operating rooms at the Blue Ridge Surgery Center. Two of the applicants propose to locate the operating rooms in new orthopedic ambulatory surgical facilities: OSCR proposes to develop a new ambulatory surgical facility at to be located at the intersection of Edward Mills Road and Macon Pond Road in Raleigh, and SSC proposes to develop a new ambulatory surgical facility on Meadow Wood Boulevard in Raleigh. However, the proposed OSCR site is located less than one mile and approximately two minutes driving time from Rex Hospital, and the proposed SSC site is

located approximately 1.5 miles and 3 minutes driving time from Duke Raleigh Hospital. HSH proposes to locate the operating rooms in a new hospital to be constructed at 1936 Ralph Stevens Road in Holly Springs in southern Wake County. The proposed Holly Springs site is located approximately 11 miles and 13 minutes driving time from WakeMed Cary Hospital. Therefore, with regard to improving geographic access to the proposed services, the HSH application is determined to be more effective than the other applications in this review.

Demonstration of Need

OSCR, WakeMed North-OR, WakeMed Cary-OR, and SSC adequately demonstrated that the number of surgical cases they projected to perform is reasonable and adequately demonstrated the need the population it proposes to serve has for the proposed operating rooms. BRSC and HSH did not adequately demonstrate the need the population they propose to serve has for the proposed operating rooms. See Criterion (3) and 10A NCAC 14C .2103(b) for discussion.

Financial Feasibility

OSCR, WakeMed North-OR, WakeMed Cary-OR, and SSC adequately demonstrated that the financial feasibility of the proposed project is based upon reasonable projections of costs and revenues. See Criterion (5) for discussion. BRSC and HSH failed to adequately demonstrate that the financial feasibility of the proposed project is based upon reasonable projections of costs and revenues. See Criterion (5) for discussion.

Coordination with Existing Health Care System

OSCR, BRSC, WakeMed North-OR, WakeMed Cary-OR, and SSC adequately demonstrated that the project will be coordinated with the existing healthcare system. HSH did not adequately demonstrate that the project will be coordinated with the existing healthcare system. See Criterion (8) for discussion.

Access by Underserved Groups

The following table illustrates each application's projected percentage of surgical services to be provided to Medicaid and Medicare recipients in the second year following completion of the project, as stated by the applicants in Section VI.14 of the applications.

*Holly Springs Hospital
Projected Shared Surgical Operating Room Need
July 2012 — June 2015*

	<i>PY1 July 2012—June 2013</i>	<i>PY2 July 2013 June 2014</i>	<i>PY3 July 2014— June 2015</i>
<i>Total Inpatient Surgical Cases</i>	601	733	917
<i>Total Outpatient Surgical Cases</i>	2,609	2,835	2,835
<i>Weighted Procedures</i>	5,715	7,062	7,005
<i>OR Need @ Planning Capacity</i>	3.1	3.3	3.74
<i>OR Need Upon SMFP Rounding</i>	3	3	4

Source: Exhibit 5, Table 29

Note: Planning Capacity in the 08 SMFP = 1872 weighted surgical procedures per year per OR.

The previous table shows projected inpatient and outpatient surgical cases and the resulting shared surgical operating rooms needed based upon the 2008 State Medical Facilities Plan Surgical Operating Room Need Methodology, with inpatient surgical case weighting of 3.0 hours per case, outpatient surgical case weighting of 1.5 hours per case, and a planning capacity target of 1,872 operating hours per year per OR. This results in a need at HSH for 4 shared surgical operating rooms at Holly Springs Hospital in 2015 (Project Year 3)."

As indicated in the above table, the applicant projects it will perform 2,835 outpatient surgical cases and 917 inpatient surgical cases in the 4 proposed shared operating rooms in the third year of the proposed project (FY2015). Based on the utilization standards required in 10A NCAC 14C .2103 (b)(1), the number of operating rooms required would be four $[(2,835 \times 1.5 \text{ hours}) + (917 \times 3.0 \text{ hours}) = 7,004 \text{ hours}; 7,004 \text{ hours} / 1,872 \text{ hours} = \underline{3.74} \text{ operating rooms}]$. The applicants' utilization projections are based on southern Wake County population growth projections, historical surgical use rates for Wake County, and the applicant's projected market shares for surgical services. However, the applicant's market share assumptions are not supported or reliable. Specifically, the applicant provided letters from only 11 Wake County family medicine physicians expressing their support for the proposed hospital. The application does not contain any letters from Wake County surgeons. The application does not contain any letters from physicians who practice in the applicant's proposed service area in southern Wake County, from which the applicant projects that 90 percent of its surgical cases will originate. See additional discussion above. Therefore, the applicant's utilization projections for the proposed operating rooms, which are based on its market share assumptions, are not reliable. Therefore, the applicant adequately did not adequately demonstrate the need for the operating rooms.

Need for Emergency Department



In Section III.1, page 122 of the application, the applicant provides a table showing the projected utilization for the 16 emergency treatment bays at the proposed hospital through the first three years of operation for the proposed project, which is summarized below:

**Projected Emergency Department Utilization
(July 2012-June 2015)**

Year	Treatment Bays	ED Visits	Percent Change
FY2013	16	17,909	---
FY2014	16	19,831	11%
FY2015	16	23,072	16%

On pages 142-144 of the application, the applicant describes its assumptions and methodology for projecting utilization of the emergency department at the proposed hospital as follows:

"HSH used the North Carolina Emergency Department Visit Use Rate for community hospitals defined by the American Hospital Association (AHA) to project emergency department visits. ... Data compiled from the AHA Annual Survey are used to calculate state specific utilization rates. The 2006 North Carolina Emergency Department Visit Use Rate was 43.4 visits per 1,000 population as reflected in Exhibit 5, Table 38. The 2006 NC Emergency Department Visit Use Rate is the most current data that is publicly available. The 2006 North Carolina Emergency Department Visit Use Rate was held constant for purposes of these projections, even though literature suggests the increasing use of emergency services in North Carolina and nationally. The projected North Carolina Emergency Department Visit Use Rate was used to determine total emergency department visits by census tract in the defined service area for the first three years of the proposed project. ... HSH projected emergency department visits for the first three years of operation using the following methodology:

Projected Emergency Department Visits (Defined Service Area Population x North Carolina Hospital Emergency Department Visit Use Rate x Market Share) + "Other Immigration"

...HSH then applied the census-tract specific market share percentages to service area medical/surgical inpatient [sic] projections.

**Projected Market Share
July 2012 — June 2015**

Census Tract	PY1	PY2	PY3
	July 2012-June 2013	July 2013-June 2014	July 2014-June 2015
<i>Primary Service Area</i>			
Census Tract 532	56%	63%	70%
Census Tract 531.01	32%	36%	40%
Census Tract 531.03	32%	36%	40%
Census Tract 531.04	32%	36%	40%
<i>Secondary Service Area</i>			
Census Tract 529	8%	9%	10%
Census Tract 534.04	8%	9%	10%

Source: Exhibit 5, Table 38

HSH projected emergency department visits by census tract in the defined service area are reflected in the following table. Projected "Other Immigration" and total emergency department visits also are included.

**Projected Emergency Department Visits
July 2012 — June 2015**

Census Tract	PY1	PY2	PY3
	July 2012-June 2013	July 2013-June 2014	July 2014-June 2015
<i>Primary Service Area</i>			
Census Tract 532	8,984	10,008	11,710
Census Tract 531.01	2,634	2,927	3,417
Census Tract 531.03	1,451	1,571	1,788
Census Tract 531.04	1,715	1,885	2,176
<i>Secondary Service Area</i>			
Census Tract 529	561	610	697
Census Tract 534.04	772	847	977
<i>Subtotal Service Area</i>	16,118	17,848	20,764
<i>Other Immigration (10%)</i>	1,791	1,983	2,307
Total Emergency Department Visits	17,909	19,831	23,072
<i>Emergency Treatment Rooms Needed @ Planning Capacity</i>	16	16	16

Source: Exhibit 5, Table 39

The previous table reflects total emergency department visits, and emergency department treatment rooms needed based upon American College of Emergency Physicians planning capacity of 1,333 Emergency Visit per Treatment Room for Emergency Departments reflected in Exhibit 5, Table 41. This results in a need at HSH for 16 emergency treatment rooms in the third year of operation."

As shown in the above table, the applicant projects it will provide 23,073 ED visits in its proposed ED, or approximately 1,442 ED visits per treatment bay, in the third year of operation of the project (June 2014-July 2015). The applicant's utilization projections are based on the American Hospital Association (AHA) emergency

department use rate for North Carolina hospitals in 2006, the population projections for the southern Wake County ZIP codes areas that comprise the applicant's proposed service area, and the applicant's projected market share percentages. Projected utilization of the proposed emergency department is based on reasonable and supported assumptions.

Need for Mammography

The applicant proposes to acquire one digital mammography unit. In Section III.1, page 141 of the application, the applicant provides a table showing the projected utilization for the mammography unit at the proposed hospital through the first three years of operation of the project, which is summarized below:

**Projected Mammography Unit Utilization
(July 2012-June 2015)**

Year	Mammography Units	Procedures	Percent Change
FY2013	1	3,143	---
FY2014	1	3,682	17%
FY2015	1	4,260	16%

On pages 144-151 of the application, the applicant describes its assumptions and methodology for projecting utilization of the mammography unit at the proposed hospital as follows:

"Holly Springs Hospital will be a community hospital providing many outpatient services. Because of the large obstetric population and the concentration of women in the market, and the lack of diagnostic imaging services in the service area, mammography and ultrasound projections were calculated based upon a use rate methodology for the service area. HSH will have one digital mammography unit. ... The North Carolina screening mammography rates for women 40-64 years of age and 65 and over, published in the American Cancer Society 2008 Breast Cancer Facts and Figures, are presented in the following table.

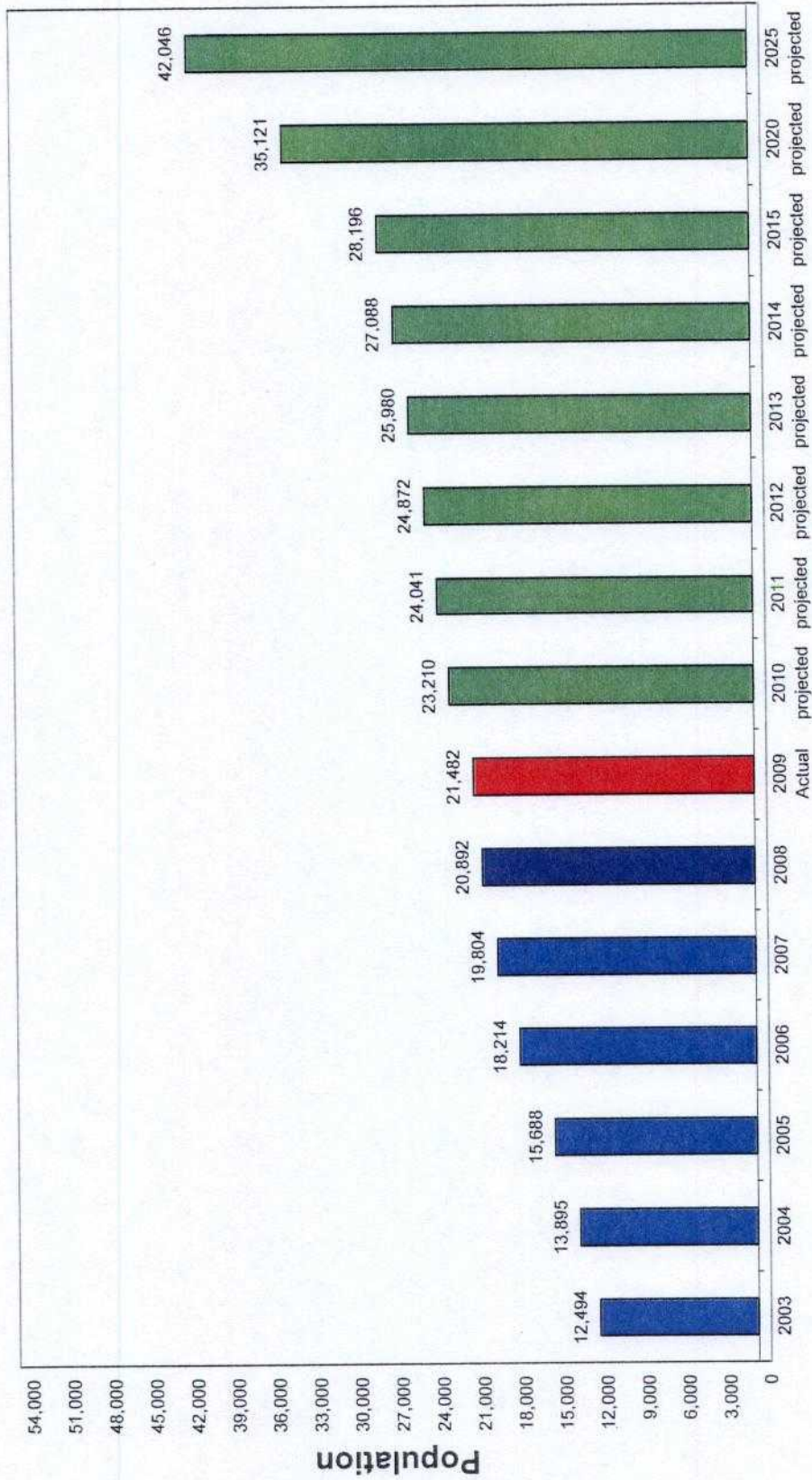
Screening Mammography Rate

	40-64 Years	65+ Years
North Carolina	62.2%	65.1%

Given the amount of advocacy and media attention to breast cancer awareness and early detection, it is reasonable to assume that those screening rates will be stable throughout the project years. ... The HSH Service Area (six census tracts) resides wholly in seven southern Wake County ZIP codes (Southern Wake County Seven ZIP Code Area). ...



Holly Springs Population Projections



Fiscal Year Ending June 30, 2009

- population projections based on 300 permits over the next several years and then increasing to 500 permits a year by the 2015
- apartments units are not included

Holly Springs booms while others struggle

WRAL Posted June 9, 2009

HOLLY SPRINGS, N.C. — The recession isn't evident in part of southern Wake County, where commercial growth continues to support a healthy tax base.

According to estimates by the Wake County Revenue Department, the tax base in Holly Springs should grow by 10.1 percent in the coming year, compared with 2.2 percent in Cary and 1.3 percent in Raleigh. The projected growth has allowed the town to draft a balanced budget for 2009-10 that includes raises, not cuts.



WATCH VIDEO

Holly Springs asks, 'What recession?'

"We're able to pretty much maintain the level of services we're able to do right now," said Drew Holland, the town's finance director.

"It just seems like we are in a bubble. I can't describe it any better than that," town employee Anne Oakley said.

Raleigh City Manager Russell Allen, who had to cut \$25 million in salaries and services to draw up a budget plan for Raleigh, said the Novartis vaccine plant under construction in Holly Springs is responsible for a lot of the growth in the town.

"(It is) somewhat of an anomaly in Wake County and probably across the state, where you have perhaps a property tax base that is growing or a community that's growing," Allen said.

Holly Springs, Raleigh and Apex all have public hearings Tuesday on their proposed budgets.

Reporter: Erin Coleman
Photographer: Edward Wilson
Web Editor: Matthew Burns

Drug makers rush flu vaccines—News and Observer

June 13, 2009

To fight the H1N1 pandemic, some plan to start production within weeks.

BY MARIA CHENG, The Associated Press

LONDON - With swine flu now an official pandemic, the race is on among drug makers to produce a vaccine.

After the World Health Organization declared a global flu epidemic, GlaxoSmithKline said Thursday that it would be ready within weeks to begin large-scale vaccine production in Canada and Germany.

Sanofi-Aventis has started working on its own version. Australia's CSL expects to have the first batches of its shot ready by mid-August.

And on Friday, Swiss pharma giant Novartis announced that it had created the first batch of an experimental vaccine. Novartis' vaccine was made via a cell-based technology that may prove faster than the traditional way of making vaccines, which relies on chicken eggs.

The vaccine hasn't yet been tested and cannot yet be used in humans. Because vaccines grown in cells account for less than 5 percent of the world's flu vaccine capacity, Novartis' announcement is unlikely to provide a major boost to the world's pandemic vaccine supply.

The announcement comes a day after WHO declared swine flu, also known as A(H1N1), a pandemic. The move indicates that a global outbreak is under way. The WHO says drug makers will likely have vaccines approved and ready for sale after September.

Novartis said it would use the first batch of vaccine for laboratory testing. It may also be tested in humans, the company said.

The vaccine was produced at a Novartis plant in Marburg, Germany. Novartis said the plant could potentially produce millions of doses of vaccine a week. A second plant being built in Holly Springs, N.C., will use the same cell-based process.

WHO is asking drug makers to begin producing shots as quickly as possible. "We would advise them, as soon as they finish their seasonal vaccine production, to quickly prepare to make commercial-scale pandemic vaccine," Margaret Chan, WHO's director-general, told reporters on a conference call.

Novartis said more than 30 governments have requested vaccine supplies, including the U.S. Department of Health and Human Services, which placed a \$289 million order in May.

Many rich countries such as Britain, Canada and France signed contracts with pharmaceuticals long ago, guaranteeing them access to pandemic vaccine. WHO and others estimate that about 2.4 billion doses of pandemic vaccine could be available in about a year.

The likely scramble for vaccines will leave many people in poor countries empty-handed.

So far, swine flu has been mostly detected in such developed countries as the United States, Europe, Japan and Australia.

WHO spokesman Gregory Hartl said officials were concerned that people in poor countries and those fighting other health problems such as malaria, tuberculosis, malnutrition and pneumonia might be more susceptible to swine flu.

In May, officials led by Chan and U.N. Secretary General Ban Ki-moon asked vaccine makers to save a portion of their production for poor countries. Chan was aiming to get 10 percent of the global pandemic vaccine supply reserved for poor nations.

Some companies have agreed to help. GlaxoSmithKline offered to donate 50 million doses of pandemic vaccine to WHO for distribution to developing countries.

In previous pandemics, vaccines have not left the country where they are made until all that country's own needs have been met.

"WHO can say whatever it wishes, but pharmaceutical companies will take their marching orders from the politicians," said David Fedson, a vaccines expert and former professor of medicine at the University of Virginia.

"Do you think any doses of vaccine made in France, Germany, the Czech Republic or anywhere will be allowed out to go to other countries just because there's a contract?" Fedson said.

Ultimately, Fedson said, health officials and politicians will have a limited amount of vaccine for the billions worldwide who want it. "There's a lot of dirtiness in vaccine politics," he said. "We may try our best, but we won't succeed in doing what's necessary."

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Vaccines in Holly Springs

Novartis is scheduled to finish construction of its massive vaccine factory in Holly Springs this year, but the plant isn't expected to produce flu vaccine for patients until 2012.

The company expects to start moving employees into buildings by August, said Jenny Mizelle, Holly Springs' economic development director. Then Novartis can begin testing production as it seeks Food and Drug Administration approval, typically a two-year process. The factory is expected to use the new cell-based vaccine production.

With global demand surging for new flu vaccine, there's a chance Novartis could accelerate the FDA approval process.

"I think they're hoping to get the plant up and running sooner, and the federal government is supportive of that," Mizelle said.

Calls to Novartis weren't returned Friday.

Staff writer Alan M. Wolf

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Holly Springs' fortunes rise—News & Observer

June 15, 2009

Pro-growth town finds itself well-positioned in hard times.

BY MICHAEL BIESECKER, Staff Writer

HOLLY SPRINGS - As his counterparts in neighboring Wake municipalities are having to make wrenching decisions about staff layoffs and service cuts, Holly Springs Town Manager Carl G. Dean knows he has it pretty good.

Despite the recent downturn in the national economy, the budget Dean proposed to Town Council members last month is up about 6 percent. That translates to about a \$1.4million cushion that is allowing Dean to add four staff members, expand sewer capacity and build a new recreation center.

Compare that to the situation in nearby Fuquay-Varina, where the manager's proposed budget shrank 7.3 percent and includes no cost-of-living raises for staff and the elimination of five full-time employee positions.

In Cary, the manager's recommended budget cuts operating and capital expenses by a whopping \$73million, or about 25 percent, from the current year because of sinking tax and fee revenues.

"I know some people have got it a lot worse than we do," said Dean, who has been town manager for eight years. "We often say we're blessed, but a lot of hard work has also gone into getting us into the position we are in right now."

Holly Springs is one of three Wake towns eyeing budget increases for the coming fiscal year instead of deep cuts; the others are Apex and Wake Forest. In Holly Springs, more than half the increase in the town budget is the result of a single economic development project: a Novartis vaccine plant now under construction in the business park off N.C.55. When the factory opens later this year, Novartis is expected to add \$213million to the town's property tax base and, eventually, 400 new jobs paying an average salary of \$50,000 a year.

To land the plant, the town pledged about \$20million in road improvements, water and other infrastructure upgrades. Holly Springs also took out an \$8 million bank loan to pay for the land where the plant is being built.

Spending so much to lure a single corporate citizen was controversial when the deal was struck about five years ago. But now the massive commercial project is nearing completion just as the residential construction that had fueled the town's explosive growth in the last decade has slowed.

Residential vs. commercial

Signs welcoming visitors to Holly Springs still tout its former status as the fastest growing municipality in North Carolina. In 1990, the population was less than 1,000. Now it's about 21,000.

Many newcomers were attracted by housing prices that were cheap compared to those in nearby Cary or Raleigh. The migration was aided by the opening of the N.C. 55 Bypass, which cut the commute to Research Triangle Park and other employment centers in the region.

That rapid expansion was facilitated by a solidly pro-development Town Council. Not so long ago, it was not unusual for several new neighborhoods to win approval in a single night from the panel, only one member of which is a Holly Springs native.

The relationship between the town and homebuilders grew so cozy that the mayor saw no problem working as a paid "community consultant" for the developer of a massive residential project he helped shepherd to approval.

Town officials see the current economic crisis as little more than a speed bump. Even with the slowdown, the number of Holly Springs residents is expected to surge to 45,000 by 2020.

But all that new housing skewed the town's tax base to where 90 percent of all the property in town was homes, a trend planners consider unsustainable. With the addition of Novartis, as well as a recently opened Wal-Mart and a new shopping center anchored by a Harris Teeter grocery store, the ratio of residential-to-commercial is more like 80-to-20.

"When we started talking about trying to get Novartis in here, we realized we weren't going to be able to keep building houses forever," Dean said. "The year the Novartis deal went through, we added 800 new homes. You just can't keep that kind of pace up."

Within three years, the town hopes to have 30 percent of its tax base as commercial property.

"It's a timing thing," said Tim Sack, a member of the Town Council. "We have been struggling for so many years with residential growth that our commercial growth has taken a long time to catch up. Ours is coming to fruition now when everybody else's is sort of slacking off."

But Holly Springs officials stressed last week that they are working diligently not to get ahead of themselves.

Incorporated in 1877 and named for the holly trees that grew near a natural water source, the town has seen boom turn to bust before. The local economy surged during the early 1900s until a series of economic reversals crippled the town. In 1924, the Bank of Holly Springs went belly-up -- five years before the Great Depression. The town remained sleepy and largely stagnant until the early 1990s, when the current residential housing boom began.

Dean said the town's strategy for the next year is to use the boost from the new commercial projects to ride out the recession without wavering from the community's long-term vision.

"We're still trying to be conservative with our budget," Dean said. "At a time when a lot of towns are having to cut services, our goal is to maintain our current level of services as we continue to grow."

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Recommended 2010 budgets for Wake towns*

Town	Tax Rate per \$100 of property value	Budget	Raises?	Notable Cuts	Jobs eliminated?
Apex	34 cents (no change)	Up \$899,253	None	Replacement vehicles and new computers delayed	No
Cary	33 cents (no change)	Down \$73 million	Merit raises of 2.5 percent; 22 vacant positions not filled	Capital spending cut 60 percent	No
Fuquay-Varina	52 cents (no change)	Down \$1.1 million	None	Construction projects delayed	5 positions
Garner	49 cents (no change)	Down \$2.4 million	Merit raises of up to 5 percent	Capital projects and equipment purchases delayed	Adding 1.5 positions
Holly Springs	41.5 cents (no change)	Up \$1.4 million	2 percent COLA, up to 3 percent merit	N/A	4 new positions added in budget
Knightdale	40 cents (no change)	Spending remains flat	None	Town is spending \$153,000 from its fund balance	No
Morrisville	36.65 cents (no change)	Down \$1.8 million	None	New fire equipment delayed, training budget eliminated	Down 1.75 full time positions
Rolesville	42 cents (no change)	Down \$337,114	None	No capital projects funded	No
Wake Forest	51 cents (no change)	Up \$1.6 million	None	Capital budget cut 40 percent	No

Wendell	49 cents (no change)	Down \$287,559	2 percent	No vehicle replacement	No
Zebulon	50 cents (1 cent decrease)	Down \$121,000	Up to 5 percent merit raise available	None	No

*All figures based on recommended budgets. Fiscal 2010 begins July 1.

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Bonds raise \$624 million for toll road

Construction to begin in August

BY BRUCE SICELOFF, Staff Writer

The N.C. Turnpike Authority sold \$624 million in bonds Monday and Tuesday to complete its financing for the state's first modern toll road. Construction is expected to begin by early August in the center of the Triangle.

Demand for the bonds was better than expected, creating favorable terms that will let the turnpike agency pay off its debt and quit collecting tolls on the 18.8-mile Triangle Expressway several years sooner than had been anticipated.

The \$624 million bonds will carry a term of 30 years, instead of an expected 39-year repayment period. A federal loan of \$386 million, approved last week to finance the rest of the project, is to be repaid in 32 years.

"It was far better than our expectations," said David W. Joyner, the turnpike authority's executive director. "We actually saved some money because of the strong offering."

The turnpike authority will pay an interest rate of about 4.3 percent for the money, lower than the 4.7 percent rate it had anticipated a few weeks ago. That means more favorable conditions for the agency, whose original plans to sell the bonds last fall were thwarted by the credit meltdown on Wall Street.

After the transactions clear and the money is in hand July 29, the turnpike agency will be ready to sign contracts with two companies that were low bidders in August for the Triangle Expressway, which would be constructed in two parts.

S.T. Wooten Corp. of Wilson will build the 3.4-mile Triangle Parkway through Research Triangle Park for about \$137 million. A three-state partnership known as Raleigh Durham Roadbuilders will construct the 12.6-mile Western Wake Expressway, extending the Interstate 540 Outer Loop south from RTP to Apex and Holly Springs, for about \$446 million.

The turnpike authority still has to buy about 800 acres needed for the Western Wake Expressway, at a cost estimated last fall at \$227 million.

The new road is expected to open to traffic by late 2011 in RTP, and by late 2012 between RTP and Holly Springs. It will be one of the nation's first toll roads built without coin collection booths, with all tolls to be collected electronically.

Drivers will qualify for a low rate if they purchase electronic transponders and open accounts with the turnpike authority. Video cameras will record license numbers of other vehicles so their owners can be billed by mail at a higher toll rate.

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Healthcare Resources in Holly Springs

1. Holly Springs Medical Center PA (3 physicians)
500 Holly Springs Rd, Suite 100
Holly Springs NC 27540

2. Tri-City Family Med & Urgent Care Clinic (2 physicians)
106 Hyannis Drive
Holly Springs, NC 27540

3. Holly Springs Pediatrics
500 Holly Springs Rd., Suite 101
Holly Springs NC 27540

4. Med Mart Primary Care
7012 G B Alford Highway
Holly Springs NC 27540

5. Holly Springs Eye Associates
608 Holly Springs Rd
Holly Springs NC 27540

6. LaFayette Clinic (Allergy/Asthma) Tuesday and Friday only
1140 Holly Springs Rd., Suite 209
Holly Springs NC 27540

7. Foot Care Specialists (Podiatry)
1140 Holly Springs Rd., Suite 107
Holly Springs NC 27540

8. Advanced Care for Women
Dr. Paul Hiembecker (OB/Gyn) Mondays only
500 Holly Springs Rd
Holly Springs, NC 27540

9. Magnolia Women's Health (Nurse Practitioner) Part time hours
1100 Holly Springs Road, Suite 212
Holly Springs NC 27540

10. Holly Springs Chiropractic
125 Holly Springs Road
Holly Springs NC 27540

11. Sunset Ridge Chiropractic
1100 Holly Springs Road, Suite 100
Holly Springs NC 27540

12. CON Approved Outpatient Center/Rex Healthcare: Urgent Care, Imaging X-Ray, Mammo, Bone Density), and Lab—Not developed yet
704 Avent Ferry Rd. (Proposed site)
Holly Springs, NC 27540

PHARMACIES

CVS (2 locations)

Walgreens (2 locations)

Rite Aid

Wal-Mart

Harris Teeter

Compiled by Jenny Mizelle, CECD

Economic Development Director

July 28, 2009



The Daily Record

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Lillington Hospital On Hold

By Brian Haney
Daily Record Reporter

Published: 7/27/09 11:53 AM



WakeMed CEO Dr. Bill Atkinson tells a somber group in Lillington that the long-delayed hospital in Lillington will be delayed further because of the economy. Left is Lillington Commissioner Dianne Johnson and right is Kathleen Gormley, also of WakeMed. -Daily Record Photo/Brian Haney

Harnett Health System's efforts to bring a new hospital to Harnett County has met with a number of obstacles in recent years.

The most notable holdup was a battle between Harnett Health and Good Hope Hospital/Triad over who should actually build a new hospital. Harnett Health is comprised of Harnett County, Betsy Johnson Regional Hospital and WakeMed.

With that obstacle now out of the way, one more has surfaced to stymie efforts to build a new hospital in Lillington - the economy.

WakeMed CEO Dr. Bill Atkinson briefed the Harnett County and Lillington Commissioners yesterday on the state of health care in North Carolina and what it means locally.

For now, construction of a new \$55 million hospital off U.S. 401 in Lillington is on hold due to lack of funding. The local elected officials were told an announced October groundbreaking is off and there is no timeline on when the hospital might get built.

Out of 138 hospitals in the state, Dr. Atkinson said a third are losing money, another third are just breaking even and the rest are making money, but mostly in single-digit percentages.

"Things have always been tight in North Carolina," he said, "but lately they're tighter than usual."

He said the number of uninsured is increasing dramatically.

"Realistically with what our nation is facing, no one could have predicted what behavior was going to be around this economy," he said. "We have seen unusual, if not bizarre, behavior in the markets and with the money."

Due to uncertainty in the national economic outlook, Dr. Atkinson said WakeMed recently made \$70 million in cost reduction including salary freezes.

The system has done so in an effort to build up its amount of cash on hand to help weather the financial storm.

The Challenge Of Funding

Kathleen Gormley, executive vice president for Ambulatory Services and Operations at WakeMed, offered an overview of funding options available for construction of the new hospital.

She said the projected financial performance of the new hospital made pursuing municipal bonds an impossible option.

When renovations were made to Betsy Johnson Regional Hospital in 2006, a \$23 million loan from the U.S. Department of Housing and Urban Development (HUD) was used.

Now, however, Ms. Gormley said interest rates on HUD loans are high at 7.25 percent, too high to be a viable option.

"That (rate) is pretty hefty for any hospital, much more a community hospital," she said.

Additionally, Harnett Health system would not meet HUD requirements for a loan. Instead, WakeMed would be required to sign off to receive the loan.

Dr. Atkinson called the government a "lender of last resort." He said it was likely money could be gotten cheaper under alternate terms.

Ms. Gormley said a potential lender, which may prove to be a more viable option, is the USDA. Interest rates are currently lower on USDA loans.

Ms. Gormley said before applications for USDA funding can go out, an update on the project's financial feasibility must be conducted. The feasibility study should be completed within the next two to three weeks, she said.

The only issue is that HUD has a lien on all assets, thus a lien waiver would be needed before pursuit of USDA loans, or the Betsy Johnson HUD loan would need to be shifted to the USDA.

"It's a lot of red tape," Ms. Gormley said. "The best opportunity right now is USDA."

Lillington Commissioner Dianne Johnson asked Ms. Gormley if the feasibility study goes through, what is the projected timeline for breaking ground on the new hospital.

"There is not one right now," Ms. Gormley said.

If the study determines seeking USDA funding is a viable option, it would be at least 120 days before the result of an application to the USDA would be answered.

Because the USDA rarely deals with hospital construction, Ms. Gormley said she would take the 120-day time frame with a grain of salt.

"It's going to take some time," she said. "The projected date (for breaking ground) of October is off the table."

Hospital "Still Makes Sense"

Dr. Atkinson said putting a facility in Lillington still makes good sense, nothing has changed in that respect. He said he didn't think there needed to be any changes in what has been proposed.

The population influx to Harnett County from BRAC and even from Wake County, he said, will only increase demand for health care in Harnett.

Ms. Gormley said that hospital utilization at Betsy Johnson is easily 80 percent and often more. However, she said if you took the patients who leave the county for medical care, they would quickly fill two hospitals.

Harnett Commissioner Jim Burgin asked what, if anything, could be done on the county's end to get things moving.

"Nothing big can happen over there (in the proposed biotech park called Brightwater) until that hospital starts moving," Mr. Burgin said.

Mr. Burgin's question wasn't answered.

He asked if the project could be completed in fragments to at least get something started.

"Right now, that is not part of the discussion," Dr. Atkinson said.

Mr. Atkinson said there are still other options if the ones already on the table fall through, though he did not go into specifics.

"I don't think you're in for an inordinate delay," he said, insisting that everything WakeMed has had on the table has eventually happened.

For those who attended yesterday's meeting, however, it was not the news they had hoped to hear.

Lillington Commissioner Johnson said she was hopeful they were going to break ground on the hospital soon, "but evidently that's not going to happen right away.

"We were looking forward to bringing in more jobs for the area and more industry and more retail," she said, "we were very hopeful and looking forward to a lot of new growth.

"I was hoping they would have more positive news on when the hospital was going to be starting," she said, "but I'm hoping they can work out the finances and get it under way."

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What Hospital Holdup Means For Harnett County

Smartphones
Daily Record Reporter



Over the past months and years, a great deal of planning has gone into the U.S. 401 corridor in Lillington.

Master planning has been under way on the Brightwater Science & Technology Park to establish a medical Mecca in Harnett's county seat.

More recently, the county ceded 19.5 acres of land to Harnett Forward Together for the planned Brightwater Business Park.

As a result, Harnett County Economic Development has promised chain restaurants, state-of-the-art medical facilities, retail stores and hotel chains, not to mention jobs.

All of that has now been called into question.

Even with the inevitability of a BRAC-stemmed population influx to western Harnett County, all commercial growth in Lillington lives or dies by one thing - a new \$55 million hospital.

The photo in the background is the empty field across from the Harnett County Courthouse in Lillington where Brightwater Business Park is planned with a new hospital as its anchor.

Last week, WakeMed CEO Dr. Bill Atkinson informed the Harnett and Lillington boards of commissioners that all bets are now off as to when ground might be broken on a new Harnett Health hospital. (Harnett Health is comprised of the county, Betsy Johnson Regional Hospital in Dunn and WakeMed.)

The problem is financing. In a down economy, low-interest loans are hard to come by and the options open to hospital creation are limited.

Dr. Atkinson said alternative funding methods are currently being looked at. In the meantime, as County Commissioner Jim Burgin pointed out, "Nothing big can happen over there until that hospital starts moving."

County Manager Scott Sauer called the planned hospital "the linchpin of our master plan, both to provide patient care and the business dynamics for growth that we expect here in the center of the county and the Town of Lillington."

He said he saw the glass as half full following last Wednesday's meeting.

"My impression ... is that we are moving cautiously forward," he said. "I don't have any reason to think that the project has been sidetracked or postponed, I just think everybody's being very prudent in their major decisions."

Mr. Sauer said he took comfort from Dr. Atkinson's assurances that there is still strong support for the project.

"It's just a matter of making the plan work in this changing financial climate," he said. "It looks to me like

everyone is moving about as rapidly as you can given the cautiousness that anybody would want to exercise in this climate."

Harnett Economic Director Lee Anne Nance said admittedly, a lot of the interest in the Brightwater area is due to the hospital.

"It's certainly not ideal," Mrs. Nance said of the delay, "but it's also something that ... certainly in these economic times is not unexpected."

Mrs. Nance predicted most of the hospital's impact will be on office and commercial retail moving into the park.

"Those are the kinds of things that are going to want the hospital to be open because a lot of their customer base is going to come from the hospital," she said.

Biotechnology and life sciences companies, however, she said would not be as affected by the hospital delay.

Ms. Nance said her office continues to move forward in developing the campus, making sure it has appropriate water, sewer and roads when things begin moving again.

"We're going to continue to work," she said, "and hope for some very good financing news and continue to do everything we can to make the hospital move as fast as possible during these difficult times."

Costly Repercussions

Lillington Commissioner and former mayor Grover Smith attended last week's meeting and said he doesn't think the reasons given for the delay are justified.

"Something just doesn't seem right," he said.

He said many people in Lillington are once again wondering if a new hospital is ever going to be built.

"This is a medical no-man's land for the people who supported Good Hope Hospital and for the people of Lillington," he said.

Good Hope and Triad competed unsuccessfully against Harnett Health to secure a certificate to build a hospital from the state.

Lillington Manager Tommy Burns said he believes the delay on the hospital will hold back other growth in the town.

"Everybody who has talked to me about it wants to know when the hospital is coming," he said, "so I think it will definitely slow down growth if the hospital is delayed."

Harnett County Commissioner Gary House said he's been expecting this announcement since as early as December.

It was then the board voted 4-to-1 (with Mr. House against) to guarantee the Brightwater park would create 80 jobs in securing a \$300,000 grant for water and sewer from the N.C. Rural Center.

If the jobs are not created in 36 months, however, the county will be out \$300,000.

According to Ms. Nance, the grant was awarded in January, but the clock doesn't start ticking until a contract is signed, which she said should be sent any day now.

Mr. Sauer said there is still expectation that the required number of jobs will be created before the 36 months is up.

"We are definitely monitoring the timeline for all of our grants," he said, "but again, we're optimistic that the jobs will be created within the allowable window."

Commissioner House, however, is not as optimistic.

"I thought when (economic development) asked the county to guarantee those jobs there was a good possibility (the hospital) was going to be delayed," he said.

Mr. House said he'd been trying to get an update on the hospital project for more than a year, but had been unsuccessful.

"Even though we're a party to the CON (certificate of need), we do not know as a board what's going on," he said.

"Now I'm not saying some board members don't know individually," he added, "but as a board we have not been kept abreast of what has happened."

Mr. House was unable to attend last week's commissioners meeting, but said he understood what the news meant.

He said he believes the hospital's purpose is to "crank start" the county's economic engine.

"It's definitely going to delay our economic development efforts if that hospital is not built soon," he said.

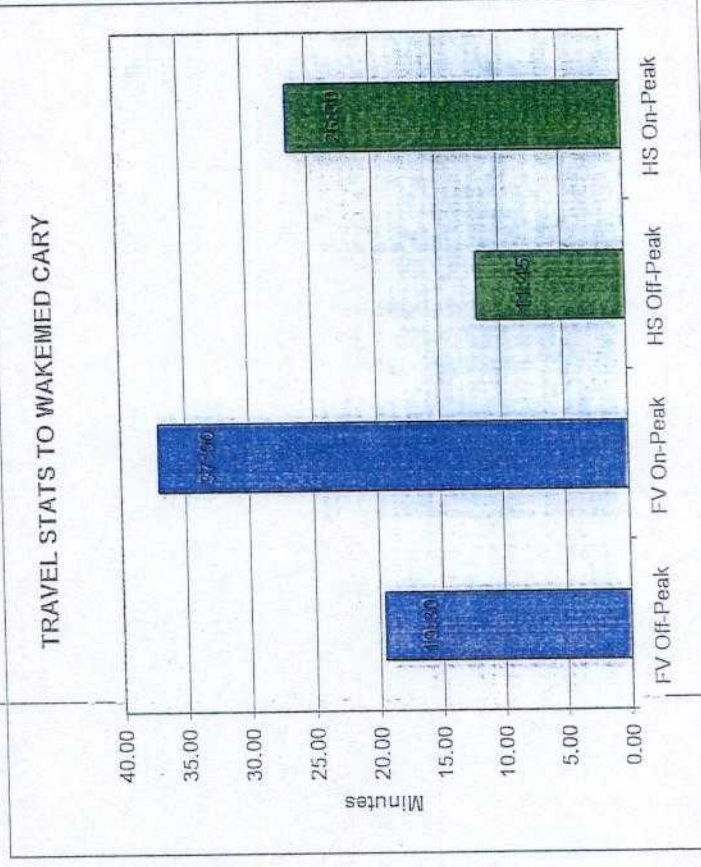
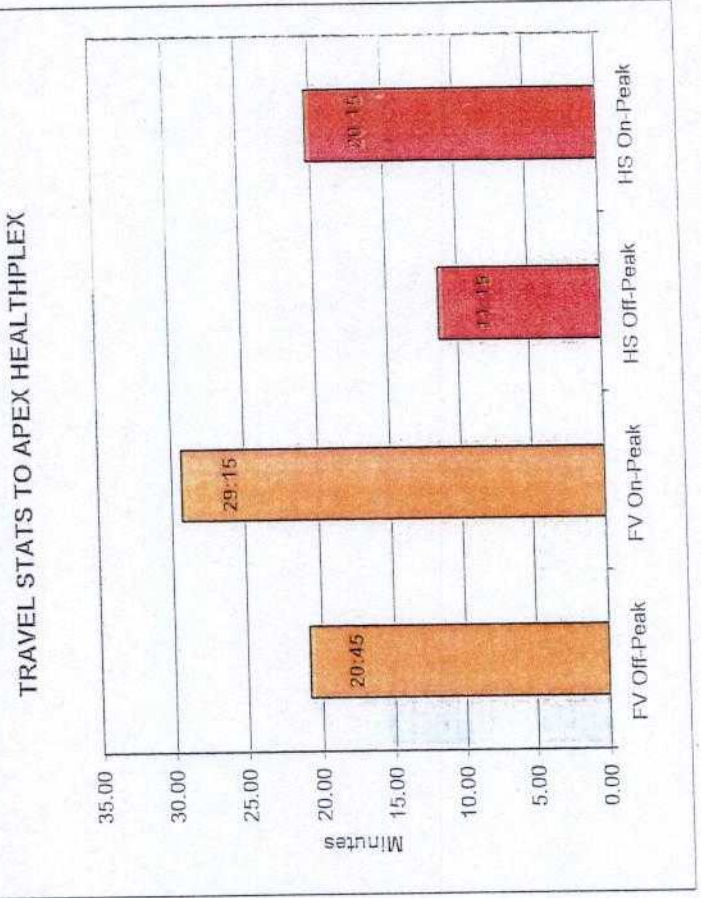
"If they had been updating us all along, we may have been better informed when we voted to guarantee those jobs," he said.

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Travel Stats to WakeMed Cary and Apex HealthPlex

TIME OF DAY	START	END	TOTAL TIME	% DIFF (PEAK VS NON)	MILES	# OF STOPLIGHTS	DATE
Peak	HS Town Hall	WakeMed Cary	26:30	226%	9.4	7	07-Aug-08
Non-Peak	HS Town Hall	WakeMed Cary	11:45		9.4	7	06-Aug-08
Peak	FV Town Hall	WakeMed Cary	37:00	190%	14.9	17	07-Aug-08
Non-Peak	FV Town Hall	WakeMed Cary	19:30		14.9	17	06-Aug-08
Peak	HS Town Hall	Apex HealthPlex	20:15	180%	7.8	10	08-Aug-08
Non-Peak	HS Town Hall	Apex HealthPlex	11:15		7.8	10	07-Aug-08
Peak	FV Town Hall	Apex HealthPlex	29:15	141%	13.5	20	08-Aug-08
Non-Peak	FV Town Hall	Apex HealthPlex	20:45		13.5	20	07-Aug-08

- * Most direct routes were used, including NC55 and US1
- * Driver kept speed between the speed limit and 5mph over
- * **NOTEWORTHY:** Being summer, few schools in session, no school buses or parent/students on the roads, which would increase trip time



Source: Project Analyst
Town of Holly Springs

HEALTHCARE SURVEY

2007

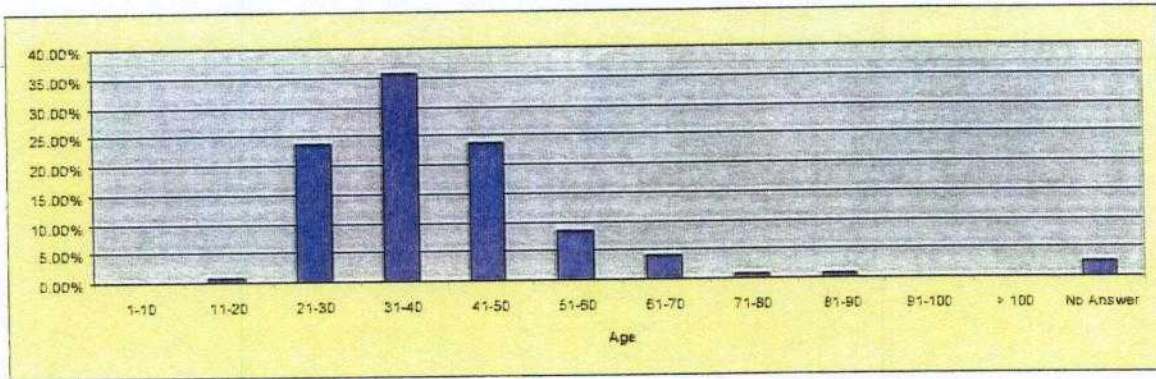
FINAL RESULTS

The data found herein reflects the results of a healthcare survey made available electronically (from the Town's website) from December 22, 2006 until February 13, 2007. Our primary focus was to gauge the public's desire for additional healthcare facilities and opportunities within the Town of Holly Springs.

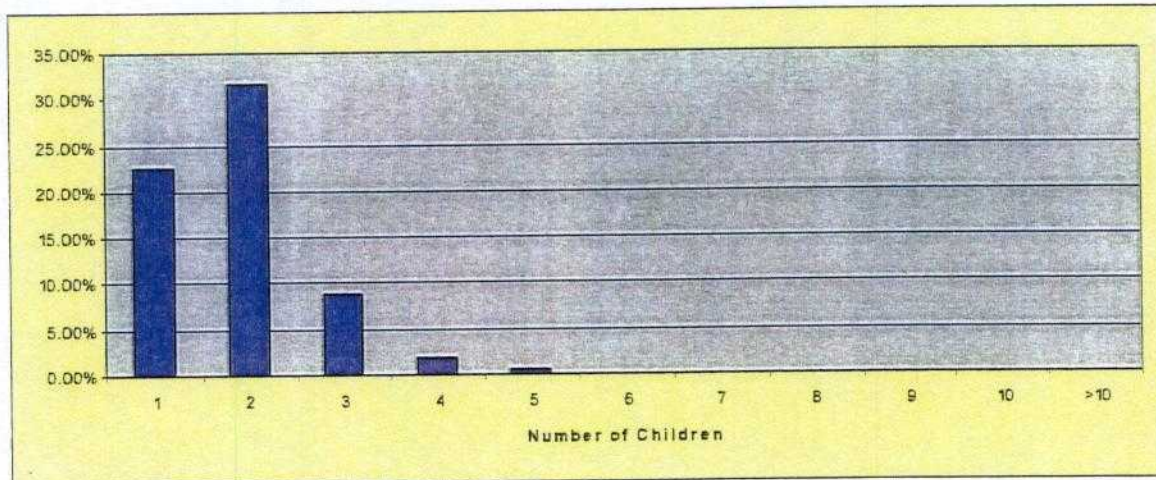
There were a total of 168 responses to this survey since its inception. And again, all survey responses were voluntary and anonymous. Individual questions could be skipped if the respondent felt uncomfortable supplying an answer.



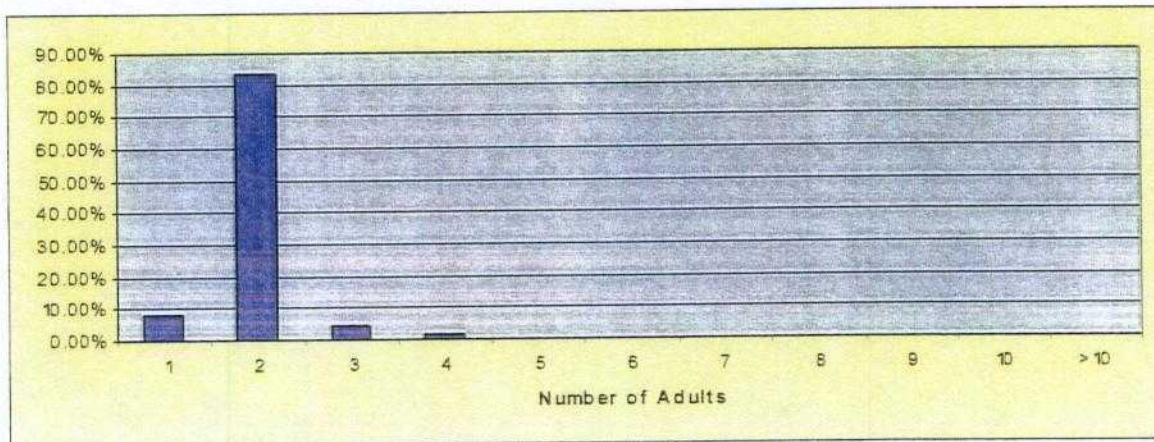
What is your age?



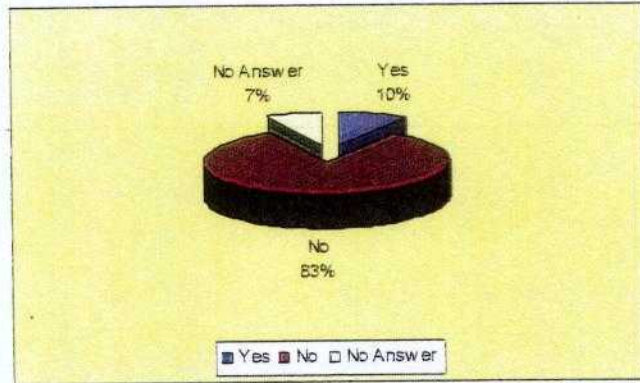
How many children live in your household?



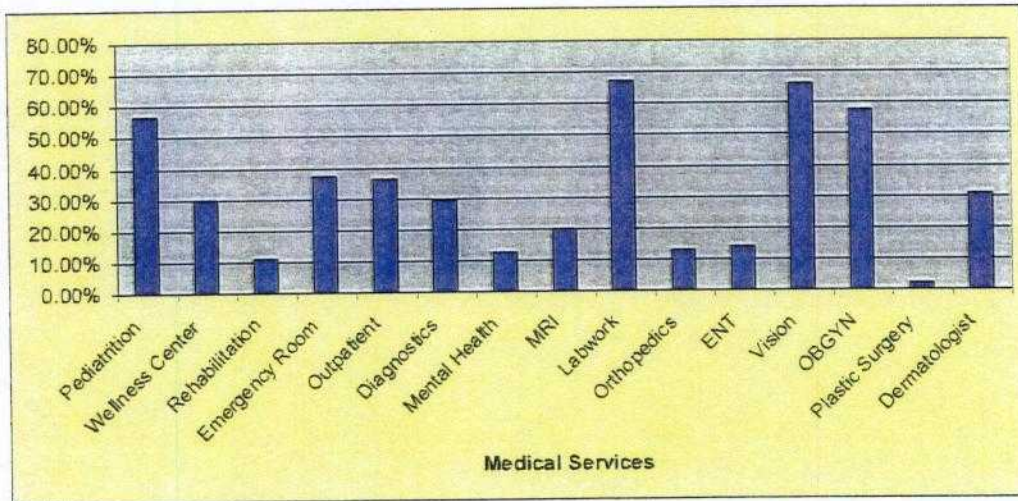
How many adults live in your household?



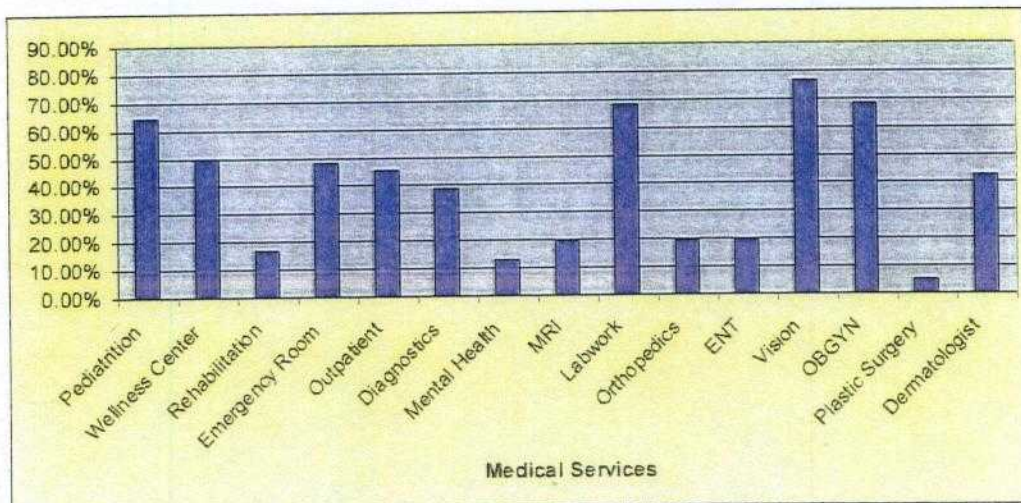
Are you caring for any aging parents, who either live with you or in close proximity?



What medical services have you used in the last year? (% of Respondents)



What medical services do you foresee yourself or your family using in the next few years? (% of Respondents)

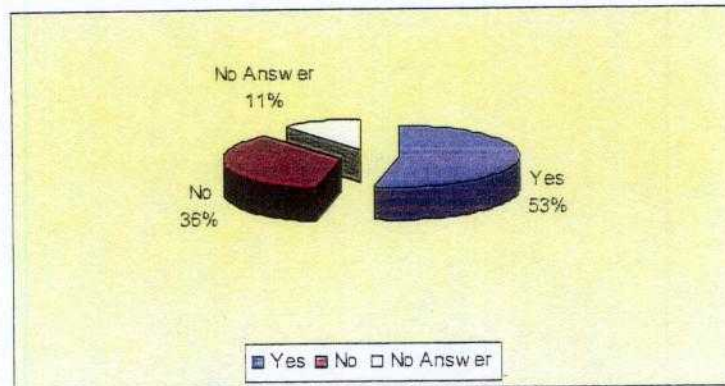


What other services, not in the lists above, would you like to see available nearby?
 (Responses – Open Ended)

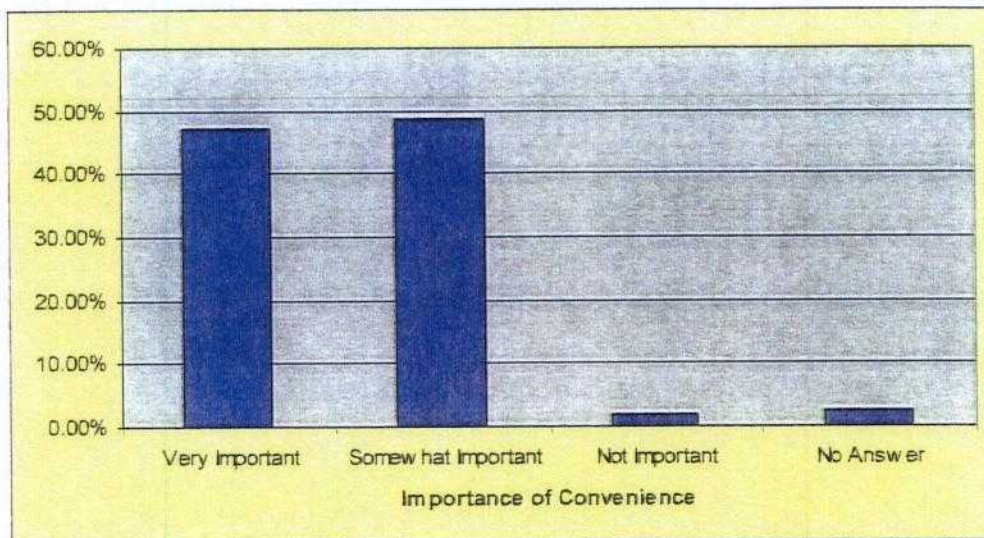
10	Work out facilities, gyms
12	NUTRITION COUNSELING
15	Urgent Care
17	primary healthcare provider
18	Orthodontics
24	Health/exercise club
25	General Family Practitioner
29	GENERAL PRACTITIONER (FAMILY DOCTOR) DENTIST OPTOMETRIST
30	More family doctors
31	a real gym to work out with family and friends in
33	REGISTERED DIETITION MEDICAL SPA
37	Work out facilities, gyms.
40	Would like to see further encouragement of having Nurse Practitioners open practices in our town
41	Primary Care Physician Workout Gym
49	urgent care
53	A huge hospital; state of the art!
55	orthodontist oral surgeon specialist- diabetes
57	hospital
60	Urgent Care Centers
67	urgent care
68	Out patient surgical center
70	urology
72	I would like to see a pediatric dentist- but that isn't really one of our choices.
78	Nutrition counseling
80	family doctor, nutritionist,
84	Family Gym/doctors that accept military insurance
92	a fitness center with a pool
100	hearing aid audiologist
102	urgent care general practice doctors (The urgent care we currently have stinks, so I would love someone else to go to.)
103	nutrition, acupuncture, chiropractic, personal life trainers. All of these specialities truly focus on health and wellness. the medical community tries to use this term, but focuses on treating symptoms with meds instead of educating a patient on trying to stay healthy naturally. we don't need anymore medical facilities that treat symptoms with drugs or surgical procedures.
105	I would love to see an "after hours" clinic (Doc in the Box!) that would be available as an alternative to an Emergency Room visit.
107	Internal adult medicine
110	Community Hospital
111	Gastrointestinal, internist
112	Cardiologist, indoor heated pool in some sort of wellness program
113	Senior citizen complex

114	Dentist
115	Rheumatology Physical Therapy
119	primary care physician who accepts medicare
120	Wellness Center to include a therapeutic/heated indoor pool...kept warmer than lap pools and designed for seniors/handicapped/rehabilitation. My husband and I pay for a \"conditioning program\" in a warm/therapeutic pool in Cary.
121	nutrition counseling - compounding pharmacy - parks - walking trains - rehab centers
125	orthodontics/dentistry
126	Dental services Senior wellness and diagnostic Massage and spa
129	cardiology
131	Urgent care or minute clinics
135	Blood donation services
137	We seriously need a 24 hour pharmacy -hopefully with a pharmacist on staff. Currently we have to drive to Fuquay or Raleigh. Also it would be good to have a pharmacist with compounding capabilities. It would also be great to have Jazzercise or some other phys ed classes nearby.
139	Geriatric specialist
140	A nice day spa
143	Dentist
148	Primary Care Physicians
149	Gym, Hospital
152	allergists GI specialist podiatrist general surgeon
154	Internal medicine; infectious disease; alternative health treatments such as massage, acupuncture, and yoga;
156	Full service hospital with many departments and and ER.
157	Dental
158	Ophthalmologist Chiropractor Integrative medical doctors
163	more family doctors
164	affordable insurance and or services for uninsured
165	Long term care facility for aging parents
166	dental
167	24 hour pharmacy

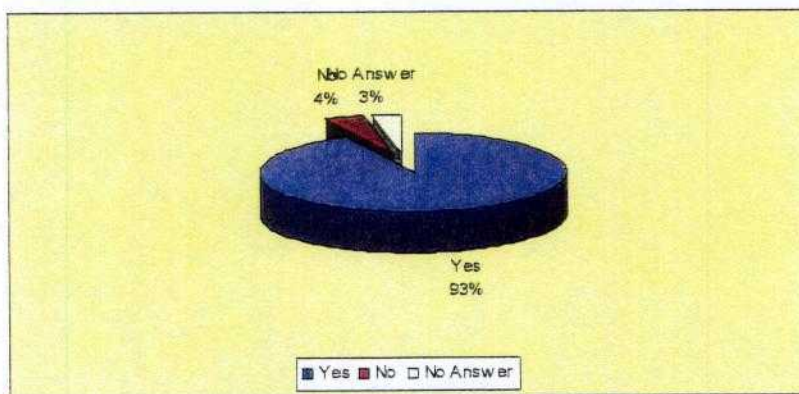
Would you be willing to pay out-of-pocket for medical services typically not covered by health insurance?



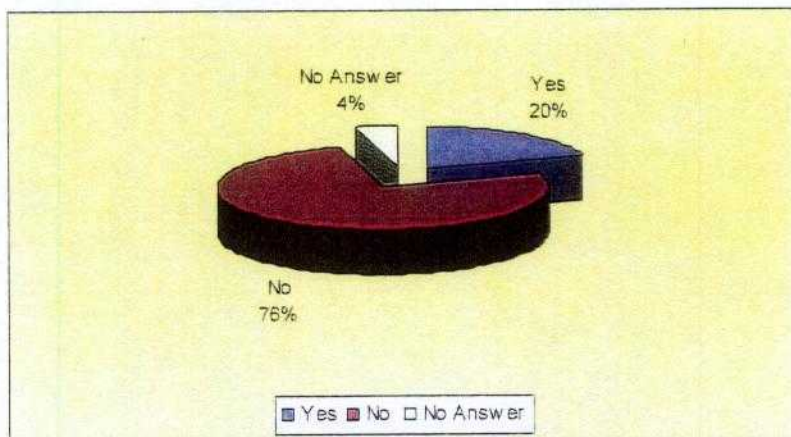
How important is convenience when deciding which healthcare provider you visit?



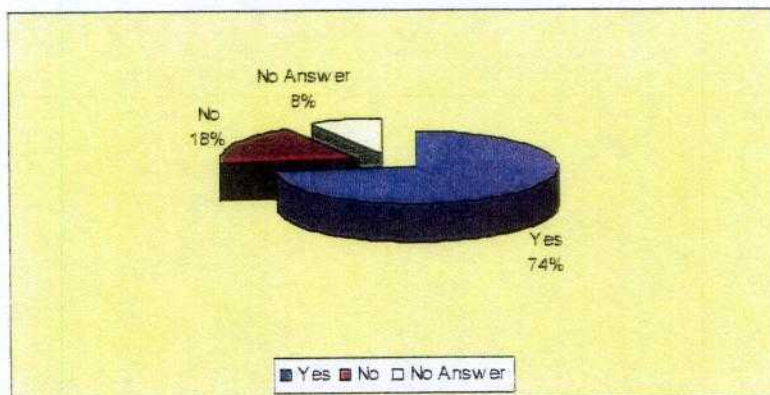
Are you currently covered under a healthcare provider?



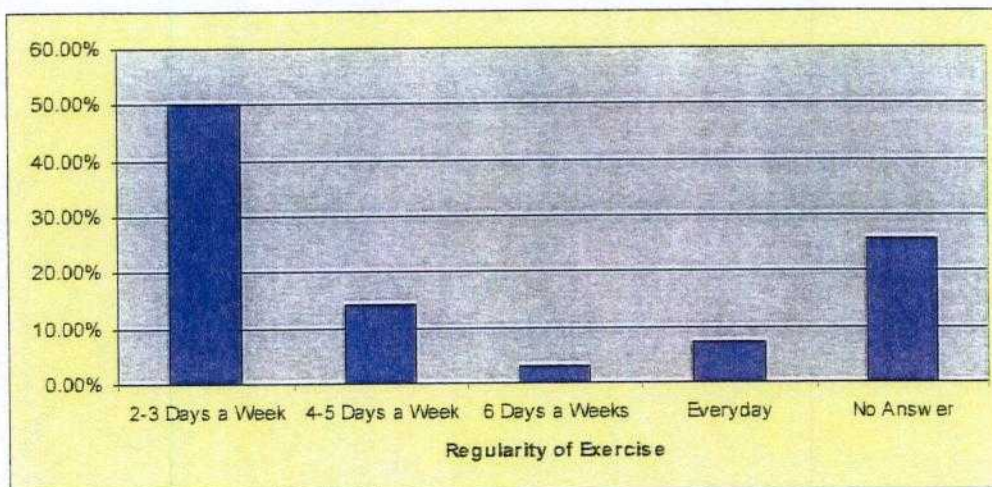
Do you currently go to a health club?



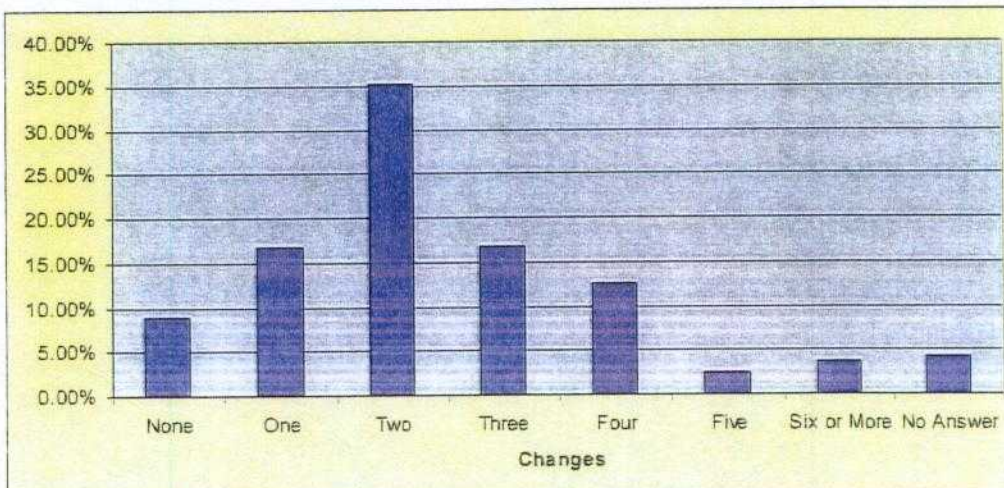
Would you be interested in going to a health club if one was located nearby?



How often do you exercise?



How many times in the last 10 years have you changed primary healthcare providers?





July 31, 2009

Dan A. Myers, M.D.
 Chairman, North Carolina State Health Coordinating Council
 c/o Medical Facilities Planning Section
 Division of Health Service Regulation
 2714 Mail Service Center
 Raleigh, NC 27699-2714

Dear Dr. Myers,

I am writing to you to express my enthusiastic support for the petition submitted by the Town of Holly Springs to amend the 2010 State Medical Facilities Plan to recognize a need for 42 new acute beds in Wake County. In particular, the southern part of Wake County, including Holly Springs and Fuquay-Varina, has little local access to real healthcare services (beyond a few physician offices, pharmacies, and an urgent care center). Today, the substantial and growing populations of residents in these communities, must leave southern Wake County to access health services such as an emergency department, surgical services, and hospital beds for inpatients. In my opinion, there is a mal-distribution of hospital beds in Wake County, with a conspicuous absence of hospital beds in the southern end of Wake County.

As described in the Town of Holly Springs' petition, the time is ripe for such services to be offered locally in the Holly Springs area because:

- o the population base continues to grow
- o Novartis, the large pharmaceutical company based in Holly Springs has already announced plans for a second round of expansion of its manufacturing facility,
- o the freeway extension connecting RTP/northern Wake County to Holly Springs has been funded and is expected to be complete in late 2012, which makes Holly Springs an even more attractive place to live and work
- o Holly Springs has been consistently identified by several magazines as a desirable place to live and work, and yet it remains a city without access to local hospital services

I would submit to you to do whatever is within your power to create the opportunity for Holly Springs to work with a partner healthcare organization to have the opportunity to create a local community hospital in Holly Springs. Without Novant Health's commitment to build a hospital in Holly Springs, our region is potentially missing out on 200 plus jobs, millions of dollars in revenue and a full service acute care hospital that would provide 24 hour emergency medical care to a community that otherwise is without it.

Thank you for your consideration of this Petition from the Town of Holly Springs for 42 new acute care beds in Wake County in the 2010 State Medical Facilities Plan.

Sincerely,

Chris Scoop Green
 Executive Director, Holly Springs Chamber of Commerce
 344 Raleigh Street
 Holly Springs, NC 27540

344 Raleigh Street, Suite 100 • P.O. Box 695 • Holly Springs, North Carolina 27540
 Phone: (919) 567-1796 • Fax: (919) 567-1380 • www.hollyspringschamber.org



July 31, 2009

Dan A. Myers, M.D.
Chairman, North Carolina State Health Coordinating Council
c/o Medical Facilities Planning Section
Division of Health Service Regulation
2714 Mail Service Center
Raleigh, NC 27699-2714

Dear Dr. Myers:

My name is Ken Myer and I am the City Executive for Crescent State Bank in Holly Springs and Past Chairman of the Board of the Holly Springs Chamber of Commerce; I am writing to you to express my enthusiastic support for the petition submitted by the Town of Holly Springs to amend the 2010 State Medical Facilities Plan to recognize a need for 42 new acute beds in Wake County. In particular, the southern part of Wake County, including Holly Springs and Fuquay-Varina, has little local access to real healthcare services (beyond a few physician offices, pharmacies, and an urgent care center). Today, the substantial and growing populations of residents in these communities must leave southern Wake County to access health services such as an emergency department, surgical services, and hospital beds for inpatients. In my opinion, there is a misdistribution of hospital beds in Wake County, with a conspicuous absence of hospital beds in the southern end of Wake County.

As described in the Town of Holly Springs' petition, the time is ripe for such services to be offered locally in the Holly Springs area because:

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- o The budget for the well-managed Town of Holly Springs is able increase expenditures, even in these tough economic times.
- o Holly Springs has been consistently identified by several magazines as a desirable place to live and work, and yet it remains a city without access to local hospital services

I urge you to do whatever is within your power to create the opportunity for Holly Springs to work with a partner healthcare organization to have the opportunity to create a local community hospital in Holly Springs. Thank you for your consideration of this Petition from the Town of Holly Springs for 42 new acute care beds in Wake County in the 2010 State Medical Facilities Plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Meyer", written over a horizontal line.

Kenneth D. Meyer
Vice President