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# August 31, 2010 Comments in Opposition from Novant Health, Inc. Regarding Randolph Surgery Center, LLC CON Application for a Single Specialty ENT Ambulatory Surgical Center (Project I.D. # F-8550-10) Submitted July 15, 2010 for August 1, 2010 Review

In accordance with N.C.G.S. Section 131E-185(a1)(1), Novant Health, Inc. submits the following comments regarding the CON Application of Randolph Surgery Center, LLC ("RSC") for a Single Specialty ENT Ambulatory Surgical Center (Project I.D. # F-8543-10). RSC is a joint venture, with 50% owned by the physician group Charlotte Eye, Ear, Nose & Throat Associates ("CEENTA") and 50% owned by Carolinas HealthCare System ("CHS").

## I. Introduction

The following four CON applications were submitted on July 15, 2010 in response to the need determination identified in the *2010 State Medical Facilities Plan* (*2010 SMFP*) for a single-specialty ambulatory surgery center demonstration project with two surgical operating rooms in the Mecklenburg-Union-Cabarrus Service Area:

- F-8543-10: University Surgery Center, LLC proposes to develop a $4.8 million specialty ambulatory surgical facility in Charlotte in which to perform orthopedic surgery.
- F-8545-10: Cotswold Surgery Center, LLC proposes to develop a $3.3 million specialty eye ambulatory surgical facility in Charlotte.
- F-8550-10: Randolph Surgery Center, LLC proposes to renovate approximately 14,000 square feet at the Carolinas Surgery Center in Charlotte, an existing surgical center, for $1.3 million. Randolph Surgery Center proposes two operating rooms dedicated to ear, nose, and throat surgical procedures. Randolph Surgery Center, LLC is a joint venture between Carolinas HealthCare System and Charlotte Eye, Ear Nose & Throat Associates.
- F-8552-10: Cabarrus Orthopaedic Surgery Center Holdings, LLC proposes to develop a $6.2 million surgery center in Kannapolis dedicated to orthopedic surgery.

## II. Randolph Surgery Center Proposal

For the purposes of these Comments in Opposition, the three co-Applicants are referred to as RSC. The CON Application (F-8550-10) filed by RSC is referred to as the RSC Application.

## *A. Three Co-Applicants*

1. <u>CEENTA Surgery II, LLC</u>

CEENTA Surgery II, LLC (CEENTA Surgery) is a newly formed limited liability company owned by 23 otolaryngologists associated with Charlotte Eye, Ear, Nose & Throat Associates, PA (CEENTA PA). A list of those 23 physicians is set forth in the following table.

**Individual Physician Owners: CEENTA Surgery II, LLC**

| CEENTA Surgery II, LLC – owner of 50% membership interest in Randolph Surgery Center, LLC |
|---|
| John Blumer, MD |
| Stephen B. Clyne, MD |
| Kenneth W. Compton, MD |
| Ronald G. Dennis, MD |
| Michael T. Falcone, MD |
| F. Brian Gibson, MD |
| Steven R. Gold, MD |
| Trevor I. Goldberg, MD |
| Steven Brett Heavner, MD |
| Hunter A. Hoover, MD |
| Darrell A. Klotz, MD |
| Hugh Lovejoy, MD |
| Eric A. Mair, MD |
| Michael Mallonee, MD |
| Michael F. Miltich, MD |
| Jonathon Moss, MD |
| Sajeev K. Puri, MD |
| Todd Reulbach, MD |
| William H. Roberts, MD |
| Michael W. Sicard, MD |
| J. Robert Silver, MD |
| Christopher L. Tebbit, MD |
| Mark Weigel, MD |
| Total = 23 ENT physicians |

*Source: RSC CON Application F-8550-10 at pages 13 and 14*

Six CEENTA PA otolaryngologists are not participating in the demonstration project. Those physicians include:

- Mark J. Abrams, MD
- N. Neil Howell, MD, FACS
- Donald B. Kamerer, Jr., MD
- Chad S. Kessler, MD

- David S. Parsons, MD, FAAP, FACS
- Douglas B. Villaret, MD

There is no explanation provided in the Application for a lack of participation in the demonstration project of all CEENTA PA otolaryngologists. In addition, none of the CEENTA ophthalmologists/eye surgeons are participating in the Randolph Surgery Center CON Application or propose to perform eye surgery at RSC. Many of the CEENTA eye surgeons were not informed about the CEENTA-CHS joint venture surgery center RSC CON Application prior to its filing on July 15, 2010.

2. The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System

The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System (CHS) has an extensive surgical operating room inventory at hospitals and surgery centers in the Mecklenburg-Cabarrus-Union Service Area, as shown in the following table.

**Carolinas HealthCare System**
**Existing and CON Approved Surgical Operating Room Inventory**
**Mecklenburg-Cabarrus-Union Service Area**

| | County | Inpatient | Shared | Ambulatory | Open-Heart | C-Section | Grand Total |
|---|---|---|---|---|---|---|---|
| Gateway | Cabarrus | | | 4 | | | **4** |
| CMC-NE | Cabarrus | | 17 | | 2 | 2 | **21** |
| CMC | Mecklenburg | 1 | 26 | 11 | 5 | 4 | **47** |
| CMC-Mercy | Mecklenburg | | 15 | | | | **15** |
| CMC-Pineville | Mecklenburg | 1 | 9 | | | 2 | **12** |
| CMC-University | Mecklenburg | | 9 | | | 1 | **10** |
| Northcross | Mecklenburg | | | 2 | | | **2** |
| Carolina Ctr Specialty Surgery | Mecklenburg | | | 2 | | | **2** |
| CSC-Randolph* | Mecklenburg | | | 0 | | | **0** |
| CMC-Union | Union | | 6 | | | 2 | **8** |
| Union Health Srvcs-Indian Trail | Union | | | 2 | | | **2** |
| **Total** | | **2** | **82** | **21** | **7** | **11** | **123** |
| **Total Operating Rooms Less C-Section, Open Heart and One Trauma** | | | | | | | **104** |

*Source: RSC CON Application at pages 36-37; Attachment 1, Table 1*
*Assumes that all approved CHS ORs are in their intended locations (F-8832-09, F-7313-05, F-7979-07, F-8091-08, and F-8092-08)*
**Please note that two ORs were transferred from CSC-Randolph to CMC-Mercy; the six remaining ORs will be transferred to CMC and CMC-Pineville, and CSC Randolph will close on July 1, 2011.*

As will be discussed in detail in the context of Criterion (3) below, CHS has **underutilized capacity in its system-wide surgical operating room inventory**, which surplus, CHS does not acknowledge in the RSC CON application. RSC **projects continued underutilized capacity at CHS surgical facilities** in the third year of operation of the proposed Randolph Surgery Center (October 1, 2013-September 30, 2014).

3. Randolph Surgery Center, LLC

Randolph Surgery Center, LLC (RSC) is a new limited liability company jointly and equally owned by CEENTA Surgery and CHS.

## B. Project Description

RSC proposes to develop a new single specialty otolaryngology/ear, nose, and throat (ENT) ambulatory surgery center with two operating rooms pursuant to the special need for a demonstration project identified in the *2010 SMFP* for the Charlotte Area (Mecklenburg-Cabarrus-Union Service Area).

The ENT ambulatory surgery center will be located at 3621 Randolph Road, Suite 200, Charlotte, zip code 28211, in Mecklenburg County.[1] RSC proposes to sublease that space from CS Center, LLC.[2] The Charlotte-Mecklenburg Hospital Authority (CMHA) is the sole member of CS Center, LLC.[3]

RSC proposes to renovate physical space at 3621 Randolph Road, Suite 200, Charlotte, zip code 28211, in Mecklenburg County, which space is licensed as Carolinas Surgery Center-Randolph (CSC-Randolph), an existing freestanding ambulatory surgery center. CSC-Randolph occupies a total of 18,200 square feet of space[4], which originally housed eight operating rooms. The proposed Randolph Surgery Center will occupy 14,087 square feet of the leased space[5] for two operating rooms.

CSC-Randolph will cease operations and forfeit its ambulatory surgery center license on July 1, 2011. CSC-Randolph's eight licensed operating rooms were relocated/will be relocated to existing CHS hospitals: CMC-Pineville, CMC-Mercy, and CMC Downtown under Project IDs F-8091-08 and F-8092-08[6].

The proposed ENT ambulatory surgery center will be managed by CHS.[7]

RSC projects that the proposed ENT ambulatory surgery demonstration project will become operational on October 1, 2011.

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[1] CON Application F-8550-10 at page 8.
[2] CON Application F-8550-10 at page 9.
[3] CON Application F-8550-10 at page 10.
[4] CON Application F-8550-10 at page 22.
[5] CON Application F-8550-10 at page 22.
[6] CON Application F-8550-10 at pages 20-22, FNs 9, 10, 11, and 12
[7] CON Application F-8550-10 at page 10.

## C. Project Cost and Financing

The project capital cost is $1,307,500[8] plus working capital/start-up of $768,544[9], for a total expenditure of $2,076,044. Project capital cost and working capital/start up will be funded in equal portions by CEENTA Surgery and CHS.

# IV. CEENTA Owned Surgical Centers - SouthPark Surgery Center – History and Ownership

## A. History

In May 2004, The Presbyterian Hospital (TPH) submitted a CON application to convert four hospital-based outpatient operating rooms located at Presbyterian Surgery Center SouthPark to a freestanding ambulatory surgical center. That application was approved by the CON Section, and TPH received a Certificate of Need effective November 26, 2004. At the time of its conversion to a freestanding ambulatory surgery center, Presbyterian Surgery Center SouthPark became SouthPark Surgery Center, LLC, (SPSC), a North Carolina non-profit limited liability company. SPSC is located at 6035 Fairview Road and was licensed as a freestanding ambulatory surgical facility on June 1, 2005.

On February 28, 2005, the CON Section issued a No Review letter to CEENTA Surgery, LLC approving its acquisition of HEALTHSOUTH Specialty Surgery Center of Charlotte, L.P. at 220 East Seventh Street, Charlotte, a single specialty ambulatory surgery facility with two ambulatory operating rooms and one YAG laser procedure room. SPSC subsequently acquired the freestanding specialty ambulatory surgical facility from CEENTA Surgery, LLC on July 7, 2005.

According to a Declaratory Ruling issued by the Division of Facility Services in July 2005, merging a specialty ambulatory surgical program with a multispecialty ambulatory surgical program does not require a certificate of need, and does not constitute the conversion of a specialty surgical program to a multispecialty program or the addition of a specialty to a specialty ambulatory surgical program. In addition, the Declaratory Ruling stated that the acquisition of the CEENTA Surgery, LLC ambulatory surgical facility by SPSC was exempt from CON review.

On March 15, 2005, SPSC submitted a CON application to combine the two facilities into one location at 6035 Fairview Road, Charlotte. Upon completion of the project, all SouthPark operations were consolidated at the Fairview Road Facility, and the East Seventh Street Facility ceased to exist.

SPSC has six operating rooms, on-site sterile processing room, an 11-bed preoperative admitting area, a patient/family interview room, a 12-bed first-stage recovery area, a 12-bed second-stage recovery area, a YAG Laser procedure room, and two additional procedure rooms. Additionally, SPSC has a segregated areas for pediatric use both pre and post operatively.

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[8] CON Application F-8550-10 at page 146.

[9] CON Application F-8550-10 at page 15.

There were three co-applicants identified in the March 15, 2005 CON application:

1. The Presbyterian Hospital, which owned 100% of the membership interests of SouthPark Surgery Center, LLC. TPH is a wholly owned subsidiary of Novant Health, Inc.
2. CEENTA Fairview Properties, LLC is listed as a co-applicant to the extent required as the owner of the real property leased to SouthPark Surgery Center pursuant to a lease agreement. CEENTA Fairview Properties, LLC has no ownership interest in SouthPark Surgery Center, LLC or the ambulatory surgical center that is the subject of this application.
3. Charlotte Eye, Ear, Nose & Throat Associates, P.A. (CEENTA PA) is listed as a co-applicant to the extent required as the manager of the SouthPark Surgery Center pursuant to a management agreement. At that time, CEENTA PA had no ownership interest in SouthPark Surgery Center, LLC or the ambulatory surgical center.

On December 9, 2005, the CON Section approved the CON application F-7307-05.

## B. Ownership

Effective November 1, 2006, CEENTA Surgery, LLC acquired a 40% membership interest in SouthPark Surgery Center, LLC from Presbyterian Healthcare. Since that time, SouthPark Surgery Center, LLC has been jointly owned by TPH (60%) and CEENTA Surgery, LLC (40%).

The Criteria and Standards for Surgical Services and Operating Rooms, 10A NCAC 14C .2101(9), defines the term "related entity" as follows:

> (9) "Related entity" means the parent company of the applicant, a subsidiary company of the applicant (i.e., the applicant owns 50 percent or more of another company), a joint venture in which the applicant is a member, or **a company that shares common ownership with the applicant (i.e., the applicant and another company are owned by some of the same persons). [Emphasis added.]**

Based on facts presented in the Application, there is common ownership between some of the physician owners of CEENTA Surgery, LLC and CEENTA Surgery II, LLC, which makes them "related entities."[10]

CEENTA Surgery II, LLC owns 50% of Randolph Surgery Center, LLC. Due to common ownership between CEENTA Surgery II, LLC and CEENTA Surgery, LLC, Randolph Surgery Center, LLC is a "related entity" of CEENTA Surgery, LLC.

Common ownership ultimately results in Randolph Surgery Center, LLC being a "related entity" of SouthPark Surgery Center, LLC.

According to the 2010 South Park Surgery Center Licensure Renewal Application, there are 38 physicians on the medical staff of SPSC:

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[10] CON Application at page 36.

- 17 ophthalmologists; and
- 21 otolaryngologists.

The ambulatory surgery cases performed at SPSC are predominantly ENT and ophthalmology. Of the 8,730 ambulatory surgical cases performed in FFY 2009 (October 1, 2008-September 30, 2009), 4,068 cases were otolaryngology and 4,662 cases were ophthalmology.[11] CEENTA surgeons, both otolaryngologists and ophthalmologists, are the primary surgeons performing cases at South Park Surgery Center.

## V. CON Statutory Review Criteria

The following comments are submitted based upon the CON Statutory Review Criteria found at G.S.131E-183. While some issues impact multiple Criteria, they are discussed under the most relevant Criteria and referenced in others to which they apply.

### *G.S. 131E-183 (1)*

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

#### A. *SMFP* Policy GEN-3 – Basic Principles

The plain language of "SMFP Policy GEN-3: Basic Principles" requires that:

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

As discussed in detail in the context of Criterion (3) below, RSC failed to adequately demonstrate the quantitative and qualitative need for the project, and therefore failed to document how its projected volumes incorporate the Basic Principles in meeting the need identified in the *2010 SMFP* for a single specialty ambulatory surgery demonstration project in the Mecklenburg-Union-Cabarrus Service Area. Consequently, the RSC CON Application is not conforming to Policy GEN-3, and does not conform to Criterion (1).

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[11] SouthPark Surgery Center, LLC 2010 Ambulatory Surgery Center License Renewal Application

### B. Operating Room Need Methodology – Results in Overstated Surgical Volume

As discussed in detail in the context of Criterion (3) below, surgical volume for RSC and its "related entities" is significantly overstated in the RSC CON Application. RSC uses aggressive growth rates for most of the CHS surgical entities and still fails to justify total CHS operating rooms. RSC must rely on volume shifted from SPSC and projected surgical volume at SPSC to justify all of the existing CHS operating rooms. As noted above, SPSC is owned by Novant Health (60%) and CEENTA (40%). All policies and procedures in place at SPSC, including the charity care policy, are Novant Health policies. The success of RSC is predicated on successfully shifting significant outpatient ENT surgical volumes from numerous Novant outpatient surgical programs.

As a result, RSC projected utilization is unreasonable and does not justify total operating rooms in the Mecklenburg-Cabarrus-Union Service Area owned by RSC and its related entities as required in a CON review for additional operating rooms in a Service Area. In particular, CHS has and will continue to have a surplus of operating rooms based upon the methodology utilized in the RSC CON Application. Therefore, the RSC CON Application is non-conforming to Criterion (1).

## *N.C.G.S. Section 131E-183 (3): Need for the Proposed Project*

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

### A. Randolph Surgery Center Projections are Overstated and Unreasonable

1. <u>Randolph Surgery Center's 2.5% Annual Growth Rate is Unreasonable and Overstated</u>

On page 104 of the RSC CON Application, RSC states that "ENT physician volume will grow at its historical growth rate [of] 2.5 percent annually, [...] [through the third Project Year]." RSC acknowledges that 2.5% annual growth "is slightly higher [...] than the national growth rate projected by Sg2 in Exhibit 28." In fact the RSC growth rate **is <u>five times higher</u> (2.5%/0.5%)** than the Sg2 annual growth rate of **0.5%** included in Exhibit 28 on page 614 of RSC CON Application Exhibits. The statement that the RSC growth rate "is slightly higher" is misleading. The growth rate used in the RSC CON Application is excessive and unfounded, since it is 500% higher than the growth rate referenced in the Sg2 report sited by the applicant.

RSC contends that the use of the 2.5% growth rate "is reasonable given the demographic characteristics of the single specialty ASC service area." However, RSC fails to discuss the demographic characteristics of the population less than age17 who are predominant users of ENT surgical services as stated in the RSC CON Application page 73.

**Weighted Population Growth Rate For Residents Less than Age 17**
**RSC Primary Service Area**

| County | CAGR | Percent of RSC Primary Service Area Patient Origin | Weighted PSA CAGR |
|---|---|---|---|
| Cabarrus | 2.6% | 4.0% | 0.1% |
| Mecklenburg | 1.6% | 76.0% | 1.2% |
| Union | 1.3% | 19.9% | 0.3% |
| Total | 1.7% | 100.0% | **1.6%** |

*Source: RSC CON Application Exhibits 36, 37; Pages 643-644; Attachment 1, Table 34*

As shown in the previous table, the weighted population growth for the population less than age 17 in the RSC Primary Service Area is only 1.6%, considerably less than the 2.5% growth rate used in the RSC CON Application.

In footnote 32 on RSC CON Application page 105, RSC indicates that the projected population growth of the Primary Service Area from 2010 to 2014 is 1.9%. That is the overall average population growth for the three counties, and is not a weighted population growth rate which takes into consideration the patient origin defined by RSC for the Primary Service Area. The following table reflects the weighted population growth rate for the RSC Primary Service Area from 2009 to 2015.

**Weighted Population Growth Rate For All Residents**
**RSC Primary Service Area**

| County | CAGR | Percent of RSC Primary Service Area Patient Origin | Weighted PSA CAGR |
|---|---|---|---|
| Cabarrus | 2.7% | 4.0% | 0.1% |
| Mecklenburg | 1.6% | 76.0% | 1.2% |
| Union | 2.3% | 19.9% | 0.5% |
| Total | 1.9% | 100.0% | **1.8%** |

*Source: RSC CON Application Exhibits 33, 34, 35; Pages 635-642; Attachment 1, Table 35*

As shown in the previous table, the weighted population growth for the total population in the RSC Primary Service Area is only 1.8%, considerably less than the 2.5% growth rate used in the RSC CON Application. RSC's growth rate assumption of 2.5% is unreasonable given that the primary demographic characteristic of the Service Area – projected population growth rate – **is 28% less** (1.8%/2.5% -1) than the growth rate used to project "ENT physician volume." RSC fails to acknowledge that fact.

Finally, RSC fails to acknowledge that the overall growth of outpatient ENT surgical procedures for all providers in Mecklenburg, Union and Cabarrus Counties was negative for the last three years, which is considerably less than 2.5% for the last three years. ENT outpatient surgical volume has decreased from 2007 to 2009 as shown in the following table.

**Total Outpatient ENT Surgical Volume - All Providers 2007-2009**

| Surgical Provider | FFY 2007 | FFY 2008 | FFY 2009 | CAGR 2007-2009 |
|---|---|---|---|---|
| Total Outpatient ENT | 13,336 | 12,944 | 12,849 | |
| **Annual Growth** | | -2.9% | -0.7% | -1.8% |

*Source: LRAs; Attachment 1, Table 33*

The following table illustrates the impact of using an alternative growth rate based upon the weighted population growth of the RSC Primary Service Area (PSA) to project future utilization for the proposed RSC. Using the PSA weighted population growth of 1.8% to project surgical volume at RSC results in slightly lower ENT surgical projections for RSC, as shown in the following table.

**Randolph Surgery Center**
**Comparison of Projected ENT Ambulatory Surgical Volume**
**October 1, 2011 – September 30, 2014**

| **RSC CON Application - 2.5% Growth Rate** | **FFY 2012** | **FFY 2013** | **FFY 2014** |
|---|---|---|---|
| Projected ENT Ambulatory Surgical Cases | 2,990 | 3,064 | 3,140 |
| Weighted Surgical Hours | 4,485 | 4,596 | 4,710 |
| ORs Needed at 1,872 Hrs/Year | 2.40 | 2.46 | 2.52 |
| ORs Needed Based Upon SMFP Rounding | 2 | 2 | 3 |
| Approved and Existing ORs | 2 | 2 | 2 |
| OR Surplus or Deficit (-) | 0 | 0 | -1 |
| **Alternative Methodology (1.8%) Growth Rate** | **FFY 2012** | **FFY 2013** | **FFY 2014** |
| Projected ENT Ambulatory Surgical Cases | 2,990 | 3,044 | 3,099 |
| Weighted Surgical Hours | 4,485 | 4,566 | 4,648 |
| ORs Needed at 1,872 Hrs/Year | 2.40 | 2.44 | 2.48 |
| ORs Needed Based Upon SMFP Rounding | 2 | 2 | 2 |
| Approved and Existing ORs | 2 | 2 | 2 |
| OR Surplus or Deficit (-) | 0 | 0 | 0 |

*Source: RSC CON Application F-8550-10 at page 106; Attachment 1, Table 28*

Use of the lower growth rate decreases projected utilization and financial viability for RSC.

Additional questions remain regarding the base volume "estimated" by surgeons utilizing the proposed facility. Projected ENT volume in the previous table is further complicated as "ENT physician volume" shifted to the proposed facility may include outpatient ENT non-surgical cases performed in minor procedure rooms. Outpatient ENT cases performed in minor procedure rooms are not "surgical cases," as that term is defined in the Criteria and Standards for Surgical Services and Operating Rooms – they are non-surgical cases.

To the extent that base year data estimated by the surgeons includes cases performed in a minor procedure room, they should not be included in the base volume and growth rate used to project ENT surgical cases at Randolph Surgery Center. As reflected in Exhibits 21, 41, and 44 and summarized in Attachment 1, Table 36 total ENT **outpatient cases** in Exhibit 21, surgeon letters of support, were substantially greater than total ENT **surgical cases** reflected in Exhibit 41. The proposed volume shifted per surgeon was included in the surgeon letters of support included in Exhibit 21 and presumably were based upon the total ENT **outpatient cases** reflected in the letters, which are not ENT **surgical cases**. Therefore, it is likely that the volume shifted and projected for RSC Project Year 1, reflected in Exhibit 44, includes "non surgical ENT outpatient cases".

2. Outpatient ENT Cases Performed in Procedure Rooms do not Meet the Definition of ENT Outpatient "Surgical Case" in 10A NCAC 14C .2101(14)

The first step in RSC's methodology is to present "**outpatient** ENT cases over the past three years [...]." RSC states that "[t]he majority of [ENT cases performed between April 2007 and March 2010] were performed at the SouthPark Surgery Center, which is partially owned by several of the CEENTA Surgery II, LLC physicians."

"ENT physician volume" may include outpatient ENT cases performed in a minor procedure room, which are not "surgical cases," as that term is defined in the Criteria and Standards for Surgical Services and Operating Rooms – they are non-surgical cases. To the extent that historical "ENT physician volume" includes cases performed in a minor procedure room, they should not be included in the base volume and growth rate used to project ENT surgical cases at Randolph Surgery Center. As reflected Exhibits 21, 41, and 44 and summarized in Attachment 1, Table 36 total ENT outpatient cases reflected in Exhibit 21 were substantially greater than total ENT surgical cases reflected in Exhibit 41. The projected volumes shifted per surgeon were included in the surgeon letters of support included in Exhibit 21 and presumably were based upon total outpatient ENT cases as total volume reflected in the letters were ENT outpatient cases. Therefore, it is entirely possible that the volume shifted that is reflected in Exhibit 44 includes "non surgical ENT outpatient cases".

RSC does not state unequivocally that "ENT cases" are "surgical cases," as that term is defined in 10A NCAC 14C .2101(14).

The term "Surgical Case" is defined in the Criteria and Standards for Surgical Services and Operating Rooms at 10A NCAC 14C .2101(14).

> (14) "Surgical Case" means an individual who receives one or more surgical procedures **in an operating room** during a single operative encounter. **[Emphasis added.]**

The term "Operating Room" is defined in the Criteria and Standards for Surgical Services and Operating Rooms at 10A NCAC 14C .2101(2):

(2) "Operating room" means a room as defined in G.S. 131E-176(18c), which includes an inpatient operating room, an outpatient or **ambulatory surgical operating room**, or a shared operating room. **[Emphasis added.]**

Outpatient ENT cases performed in a minor procedure room are not "surgical cases," as that term is defined in the Criteria and Standards for Surgical Services and Operating Rooms – they are non-surgical cases. To the extent that historical "outpatient ENT cases" include cases performed in a minor procedure room, they should not be included in the base volume and growth rate used to project ENT surgical cases at Randolph Surgery Center. This approach would both overstate the base year used for the future RSC outpatient ENT surgical volume projections and would also overstate the growth rate for RSC outpatient ENT surgical cases.

3. Randolph Surgery Center Unreasonably Shifts ENT Ambulatory Surgery Volume from Existing Facilities in Mecklenburg County

On page 102 of the RSC CON Application, RSC states their intent to "shift a portion of their surgical volume from facilities across the region to the new ASC. [....] The majority of these cases will be shifted from SouthPark Surgery Center, of which [CEENTA Surgery II, LLC] physicians also have joint ownership." And over 70% of the outpatient ENT cases to be shifted to RSC are currently served at Novant's outpatient surgical programs. Five of the nine facilities from which RSC proposes to shift outpatient ENT surgical cases are Novant and Presbyterian Healthcare facilities (which are marked with an "*" in the table below).

On page 103, RSC includes a table showing the expected number of surgical cases that will shift from existing hospitals and ambulatory surgery centers in Mecklenburg and Cabarrus Counties. The following table shows that RSC expects to shift 60% of ENT ambulatory surgery volume in Project Year 1 (FFY 2012) from SouthPark Surgery Center.

**Randolph Surgery Center**
**Projected ENT Ambulatory Surgery Volume Shift**
**October 1, 2011 – September 30, 2012**

| Surgical Facility | Projected Case Volume | Percent of Total Volume |
|---|---|---|
| **SouthPark Surgery Center*** | **1,709** | **59.9%** |
| CMC | 515 | 18.0% |
| CMC-Pineville | 145 | 5.1% |
| PHHuntersville* | 122 | 4.3% |
| CMC-University | 122 | 4.3% |
| PHMatthews* | 115 | 4.0% |
| Presbyterian SDSC Ballantyne* | 57 | 2.0% |
| Presbyterian Hospital* | 38 | 1.3% |
| Northcross | 32 | 1.1% |
| Total | 2,855 | 100.0% |
| Shift from CHS Surgical Facilities | 814 | 28.5% |
| **Shift from Novant Surgical Facilities*** | **2,041** | **71.5%** |
| Total | 2,855 | 100.0% |

*Source: RSC CON Application F-8550-10 at page 103; Attachment 1, Table 29*
**NOTE: denotes Novant or Presbyterian Healthcare surgical facility*

It is noteworthy that 100% of surgical volume for RSC is based upon shifting surgical volume from other providers. It also is noteworthy that Randolph Surgery Center is joint venture with CHS, yet only 28.5% of the surgical volume in Project Year 1 will shift from CHS facilities. RSC projects that **71.5% of surgical volume will shift from Novant surgical facilities in Mecklenburg County**, as shown in the previous table. Given that over 70% of these outpatient ENT surgical cases are already served by a competing provider, the proposed RSC will result in unnecessary duplication of services, which is inconsistent with CON Statutory Review Criterion (6).

3. Projected Surgical Volume of Jonathan Moss, MD is Unreasonable

On page 103 of the RSC CON Application, RSC states that CEENTA Surgery II, LLC recruited Jonathan Moss, MD to begin practicing at Randolph Surgery Center. According to the records of the North Carolina Medical Board, a license to practice medicine in North Carolina was issued to Dr. Moss on February 2, 2010.[12] RSC projects that Dr. Moss, a surgical resident with no historical volume in the Service Area, will perform 135 ENT surgical cases in Project Year 1. That volume is "based on the historical practice patterns of other CEENTA Surgery II, LLC physicians."[13]

**CEENTA Surgery II, LLC Individual Physician Owners**
**Projected ENT Ambulatory Surgical Cases at Randolph Surgery Center**

| CEENTA Surgery II, LLC – owner of 50% membership interest in Randolph Surgery Center, LLC | Project Year 1: FFY 2012 | Project Year 2: FFY 2013 | Project Year 3: FFY 2014 | CAGR |
|---|---|---|---|---|
| John Blumer, MD | 290 | 297 | 305 | 2.5% |
| Stephen B. Clyne, MD | 170 | 174 | 179 | 2.5% |
| Kenneth W. Compton, MD | 105 | 108 | 110 | 2.5% |
| Ronald G. Dennis, MD | 110 | 113 | 116 | 2.5% |
| Michael T. Falcone, MD | 50 | 51 | 53 | 2.5% |
| F. Brian Gibson, MD | 160 | 164 | 168 | 2.5% |
| Steven R. Gold, MD | 110 | 113 | 116 | 2.5% |
| Trevor I. Goldberg, MD | 150 | 154 | 158 | 2.5% |
| Steven Brett Heavner, MD | 110 | 113 | 116 | 2.5% |
| Hunter A. Hoover, MD | 85 | 87 | 89 | 2.5% |
| Darrell A. Klotz, MD | 120 | 123 | 126 | 2.5% |
| Hugh Lovejoy, MD | 50 | 51 | 53 | 2.5% |
| Eric A. Mair, MD | 240 | 246 | 252 | 2.5% |
| Michael Mallonee, MD | 110 | 113 | 116 | 2.5% |
| Michael F. Miltich, MD | 110 | 113 | 116 | 2.5% |
| Jonathon Moss, MD | 135 | 138 | 142 | 2.5% |
| Sajeev K. Puri, MD | 160 | 164 | 168 | 2.5% |
| Todd Reulbach, MD | 50 | 51 | 53 | 2.5% |
| William H. Roberts, MD | 75 | 77 | 79 | 2.5% |
| Michael W. Sicard, MD | 250 | 256 | 263 | 2.5% |
| J. Robert Silver, MD | 165 | 169 | 173 | 2.5% |
| Christopher L. Tebbit, MD | 135 | 138 | 142 | 2.5% |
| Mark Weigel, MD | 50 | 51 | 53 | 2.5% |
| Total = 23 physicians | 2,990 | 3,064 | 3,140 | 2.5% |

*Source: RSC CON Application F-8550-10 at page 105*

[12] http://cgi.docboard.org

[13] CON Application F-8550-10 at page 36.

As shown in the previous table, in each Project Year, Dr. Moss' projected surgical volume is **greater than thirteen of the twenty-two (59%)** CEENTA Surgery II, LLC physician owners who have been performing surgery for years in the Service Area. RSC does not produce documentation from which to evaluate independently the reasonableness of their assumption regarding Dr. Moss.

RSC has utilized an unreasonable growth rate to project future surgical volume at RSC. As a result the projections are overstated. In addition, based upon the information and data included in the RSC CON Application, RSC has not provided documentation that the procedures to be shifted are ENT surgical cases and not ENT outpatient cases or procedures. As a result the projected volumes cannot be determined reasonable and the project is non-conforming to Criterion 3.

### B. CHS has Underutilized Surgical Operating Room Capacity within its System-wide Inventory

Based on data reported in the 2010 Hospital and Ambulatory Surgery Center License Renewal Applications (LRAs) for the period October 1, 2008 – September 30, 2009 (FFY 2009), CHS surgical providers in the Service Area have **volume to support only 84 of its 104 existing and approved operating rooms**. Please note that surplus takes into consideration only 104 inpatient, shared, and ambulatory surgical operating rooms and the cases performed in only 104 operating rooms; it does not include C-Section rooms, open-heart operating rooms, and one inpatient operating room at CMC, which was not included because CMC is a Level 1 Trauma Center,. In 2009, CHS had a system-wide operating room **surplus of 20** surgical operating rooms across its defined RSC service area (Mecklenburg, Cabarrus, and Union counties), as shown in Attachment 1, Table 3.

Based on the annualization of internal data included in the RSC CON Application for the six month period October 1, 2009 – March 30, 2010, CHS surgical providers in the Service Area **continue to have a system-wide OR surplus** with **16** surplus surgical operating rooms, as shown in Attachment 1, Table 4. CHS surgical providers in the Service Area have volume to support **only 88 of its 104 existing and approved operating rooms**. Please note that surplus takes into consideration only 104 inpatient, shared, and ambulatory surgical operating rooms and the cases performed in only 104 operating rooms; it does not include and additional 19 CHS C-Section rooms, open-heart operating rooms, and one inpatient operating room at CMC, which was not included because CMC is a Level 1 Trauma Center,.

Nowhere in the Application does RSC acknowledge the existence of a surplus of surgical operating rooms at CHS facilities. As stated in Section I of the RSC CON Application, CHS is a 50% owner of the proposed joint venture ENT surgery center.

### C. CHS System-wide OR Case Projections are Significantly Overstated

RSC provides detailed projections for the proposed dedicated ENT surgical center in Section III of the application, and provides detailed projections for SPSC and all existing and approved CHS surgical facilities in Exhibit 17 of the RSC CON Application. However, RSC never compares the overall growth projected in RSC CON Application Exhibit 17 to historical surgical volumes

at CHS surgical facilities. The following table shows the aggregate total projected growth rate and the average annual projected growth rate for each of the ten CHS system hospitals and surgery centers used by RSC to project future surgical utilization for the CHS "related entities" in RSC CON Application Exhibit 17.

**CHS System-wide**
**Projected Surgical Utilization Growth Rates**
**FFY 2010 - FFY 2014**
**October 1, 2010 to September 30, 2014**

| RSC CON Application | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | Northcross | Carolina Ctr Specialty Surgery | CMC-Union | Union Health Srvcs | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Aggregate Projected Growth | 36.0% | 0.0% | 2.6% | 57.5% | 43.1% | 9.6% | -1.6% | 41.0% | 22.5% | | 16.6% |
| Average Annual Projected Growth | 9.0% | 0.0% | 0.7% | 14.4% | 10.8% | 2.4% | -0.4% | 10.2% | 5.6% | | 4.1% |

*Source: Attachment 1, Table 6*

As shown in the previous table, projected surgical growth for CHS surgical services included in the RSC CON Application reflects an overall 4.1% annual growth rate. It also should be noted that the volume growth at CMC-Pineville and CMC-Mercy is the result of shifting surgical procedures from one CHS facility to another.

In addition, the 4.1% overall projected growth for CHS surgical facilities is significantly greater than the projected Service Area population growth rate of 1.9% reflected in the RSC CON Application, and the 1.8% weighted population growth rated discussed in these Comments. As a result, the growth rates utilized for most of the CHS surgical facilities are extremely aggressive, unfounded, and unreasonable.

Furthermore, as shown in the following table the Compound Annual Growth Rate ("CAGR") for surgical services for all CHS surgical facilities was only 2.0% from FFY 2007 to FFY 2010 (October 2007 - September 2010). As reflected in the previous table, RSC is projecting overall surgical utilization growth for CHS surgical facilities at an annual growth rate of over 4% as reflected in the above table.

**Total <u>Actual</u> Surgical Utilization - All CHS Surgical Facilities**
**FFY 2007 - FFY 2010**
**October 1, 2007 to September 30, 2010**

| Actual CHS System-wide Growth 2007-2010 | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 27,160 | 26,671 | 26,697 | 27,088 | -0.1% | 0.8% |
| Outpt Surgical Cases | 48,528 | 49,847 | 51,841 | 53,130 | 3.1% | 3.2% |
| Total Surgery | 75,688 | 76,518 | 78,538 | 80,218 | 2.0% | 2.4% |
| % Change | | 1.1% | 2.6% | 2.1% | | |

*Source: RSC CON Application Exhibit 17; Attachment 1, Table 37*

CHS projects surgical volume over the next four years at a rate greater than twice the CAGR from 2007 to 2010. In addition, it should be noted that overall CAGR inpatient surgical growth for CHS surgical facilities from 2007 to 2010 was negative as reflected in the table directly above.

The following table reflects total CHS projected operating rooms needed based upon the CAGR from 2008 to 2010 shown in the previous table.

**Projected CHS Total Operating Room Need**
**FFY 2010 - FFY 2014**
**October 1, 2010 to September 30, 2014**

| Total CHS System-wide - Option One | FFY 2010 Annualized | CAGR 2008-2010 | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 27,088 | 0.8% | 27,299 | 27,512 | 27,726 | 27,942 |
| % Change | 1.5% | | | | | |
| Outpt Surgical Cases | 53,130 | 3.2% | 54,852 | 56,629 | 58,464 | 60,359 |
| % Change | 2.5% | | | | | |
| Total Surgery | 80,218 | 2.4% | | | | |
| % Change | 2.1% | | | | | |
| Weighted Surgical Hours | | | 164,174 | 167,478 | 170,874 | 174,363 |
| ORs Needed at 1872 | | | 87.7 | 89.5 | 91.3 | 93.1 |
| Current ORs | | | 104 | 104 | 104 | 104 |
| Surplus/Deficit (-) of Operating Rooms | | | 16.3 | 14.5 | 12.7 | 10.9 |

*Source: RSC CON Application Exhibit 17; Attachment 1, Table 38*
*NOTE: FFY 2010 Annualized is based on the 6-month period, October 1, 2009 – March 31, 2010 supplied by the applicant.*

As shown in the above table, using the actual CAGR for total CHS surgical facilities from 2008 to 2010 to project future surgical utilization results in a surplus of 11 CHS operating rooms in 2014. The projected volume for Presbyterian's SPSC shows a need for additional operating rooms at South Park Surgery Center, but does not result in sufficient surgical volume to justify all eleven CHS surplus operating rooms as shown in the following table.

**Projected Surgical Volume Randolph Surgery Center and Related Entities**

| RSC CON Application | CHS System-wide | RSC | SouthPark | Total |
|---|---|---|---|---|
| Inpt | 27,942 | 0 | 0 | 27,942 |
| Outpt | 60,359 | 3,140 | 12,148 | 75,646 |
| Total | 88,301 | 3,140 | 12,148 | 103,588 |
| Weighted Surgical Hours | 174,363 | 4,710 | 18,221 | 197,295 |
| ORs Needed at 1,872 Hrs/Year | 93.1 | 2.5 | 9.7 | 105.4 |
| Approved and Existing ORs | 104 | 2 | 6 | 112 |
| Surplus/Deficit (-) of Operating Rooms | 10.9 | -0.5 | -3.7 | 6.6 |

*Source: Attachment I, Table 38*

As shown in the above table, calculating CHS surgical growth using the 2008 to 2010 CAGR results in a surplus of eleven operating rooms at CHS and an overall operating room surplus of seven operating rooms for the combined RSC and its "related entities." Therefore, RSC fails to justify the existing operating room inventory of its "related entities" as required and should be denied.

## D. CHS Unreasonably Projects Surgical Operating Room Volume By Facility for a Majority of CHS Facilities

CHS is a related entity to the proposed RSC as discussed in the RSC CON Application on page 39. CHS currently has eleven existing and approved surgical facilities in the SMFP- defined single specialty demonstration project surgery center service area of Mecklenburg, Union and Cabarrus Counties. RSC provided both historical utilization for each facility and projected surgical volume in Exhibit 17 of the RSC CON Application.

Historical surgical utilization for each CHS facility is analyzed below, and compared to the methodology used by RSC for each CHS hospital and surgery center in the Service Area, as set forth in Exhibit 17 of the RSC CON Application. As previously discussed, CHS utilized aggressive, unsubstantiated, inconsistent, and unreasonable growth rates for many of the individual CHS surgical facilities in RSC CON Application Exhibit 17. Therefore, for the Agency's consideration, Novant Health provides alternatives based on supported assumptions for those facilities where the RSC assumptions were overly optimistic and unsupported.

1. Gateway Ambulatory Surgery Center – Cabarrus County

On pages 421 - 423 of RSC CON Application Exhibit 17, RSC provides the methodology used to project surgical cases at CMC's Gateway Ambulatory Surgery Center in Cabarrus County. RSC first presented historical utilization over the last four fiscal years, as shown in the following table.

**Gateway Surgery Center**
**Surgical Utilization**
**October 1, 2006 – September 30, 2010**

| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007 - 2010 | CAGR 2008 - 2010 |
|---|---|---|---|---|---|---|
| Outpatient Surgical Cases | 4,708 | 5,735 | 5,990 | 5,928 | 7.98% | 1.7% |
| % Change | | 21.8% | 4.4% | -1.0% | | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 7*

RSC projects future surgical cases at Gateway by applying a 7.98% CAGR. Gateway Surgical Center opened as a freestanding ambulatory surgery center in 2006. Therefore, the high growth experienced from 2007 to 2008 is part of the three year ramp up period routinely experienced by new healthcare facilities. From a health planning perspective, the high growth rate from 2007 to 2008 of 21.8% will skew future projections and therefore should not be included when calculating a CAGR used to project future volume for a relatively new facility. This is a sound and accepted approach to solid health planning processes for utilization projections. Therefore, the 7.98% CAGR is unreasonable and insufficiently explained by the applicant. Furthermore, the 7.98% growth rate fails to take into consideration the impact of the recent economic downturn on elective outpatient surgery, as well as the potential impact of national healthcare reform.

In addition, growth from FFY 2009 to FFY 2010 Annualized was negative. The applicant does not offer an explanation for this downturn in the most recent time period immediately prior to the base year period. Therefore, the CAGR from 2008-2010 or 1.7%, would be a more reasonable growth rate to use in light of the historical surgical volume and negative growth projected in FFY 2010 shown in the previous table.

The following table illustrates the impact of projecting future utilization for Gateway. using the alternative growth rate based upon a historical growth timeframe that smoothes out the steep growth rate experienced in the first two years of the new surgery center's operation. Using the alternative growth rate of 1.7% to project surgical volume at Gateway results in far fewer surgical procedures, as shown in the following table.

### Gateway Surgery Center - Projected Surgical Utilization
### FFY 2011 - FFY 2014
### October 1, 2011 – September 30, 2014

| RSC CON Application = 7.98% Growth Rate | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Outpatient Surgical Cases | 6,401 | 6912 | 7,464 | 8,060 | 25.9% |
| Projected Growth Rate = 7.98% | 7.98% | 7.98% | 7.98% | 7.98% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 9,602 | 10,368 | 11,196 | 12,090 | |
| ORs Needed at 1,872 | 5.1 | 5.5 | 6.0 | 6.5 | |
| Licensed ORs | 2 | 2 | 2 | 2 | |
| Surplus/Deficit (-) of Operating Rooms | -3.1 | -3.5 | -4.0 | -4.5 | |
| **Alternative Methodology = 1.7% Growth Rate** | **FFY 2011** | **FFY 2012** | **FFY 2013** | **FFY 2014** | **Aggregate Growth** |
| Outpatient Surgical Cases | 6,027 | 6,127 | 6,230 | 6,334 | 5.1% |
| Projected Growth Rate = 1.7% | 1.7% | 1.7% | 1.7% | 1.7% | |
| Weighted Cases at 1.5 Hrs/Case | 9,040 | 9,191 | 9,345 | 9,501 | |
| ORs Needed at 1,872 | 4.83 | 4.91 | 4.99 | 5.08 | |
| Licensed ORs | 4 | 4 | 4 | 4 | |
| Surplus/Deficit (-) of Operating Rooms | -0.8 | -0.9 | -1.0 | -1.1 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 7*

RSC could not afford to be reasonable because it needs to accumulate as much surgical volume and surgical hours as possible in order to make up for a significant surplus in CHS system-wide operating room inventory, which will be discussed in more detail in Subsection E. below.

Gateway Surgery Center is one of three CHS facilities that did not have an operating room surplus based on FFY 2009 utilization as illustrated in Attachment 1, Table 3. Gateway Surgery Center also is projected to need an additional operating room based on the above projections.

2. CMC-NorthEast – Cabarrus County

On pages 424 - 427 of RSC CON Application Exhibit 17, RSC sets out the methodology used to project surgical cases at CMC-NorthEast. RSC first presented historical utilization over the last four fiscal years, as shown in the following table.

**CMC-NorthEast Surgical Utilization**
**October 1, 2006 – September 30, 2010**

| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007 - 2010 |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 5,248 | 5,497 | 4,931 | 5,058 | -1.2% |
| % Change | | 4.7% | -10.3% | 2.6% | |
| Outpt Surgical Cases | 7,509 | 6,536 | 6,586* | 6,816 | -3.2% |
| % Change | | -13.0% | 0.8% | 3.5% | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 9*
**Please note a typographical error in the outpatient surgical cases reported for FFY 2009 on page 425 of RSC CON Application Exhibit 17. RSC reported 7,746 outpatient cases. The 2010 LRA reports 6,586 outpatient surgical cases in FFY 2009.*

RSC projects surgical cases by applying a 0% CAGR to annualized FFY 2010 surgical cases. Given a double-digit decline in outpatient surgical volume in the most recent fiscal year, perhaps a more reasonable approach would have been to project outpatient surgical cases by applying a negative CAGR to annualized FFY 2010.

It appears that RSC chose not to use the actual historical surgical case volume growth rate. RSC may have chosen this approach in order to accumulate as much surgical volume and surgical hours as possible to make up for a significant surplus in CHS system-wide operating room inventory, which will be discussed in more detail in Subsection E below.

**CMC-NorthEast Projected Surgical Utilization**
**FFY 2011 - FFY 2014**
**October 1, 2011 – September 30, 2014**

| RSC CON Application = 0% Inpt Growth Rate & 0% Outpt Growth Rate | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 5,058 | 5,058 | 5,058 | 5,058 | 0.0% |
| Projected Growth Rate = 0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Weighted Inpt Cases at 3 Hrs/Case | 15,174 | 15,174 | 15,174 | 15,174 | |
| Outpt Surgical Cases | 6,816 | 6,816 | 6,816 | 6,816 | 0.0% |
| Projected Growth Rate = 0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 10,224 | 10,224 | 10,224 | 10,224 | |
| ORs Needed at 1,872 | 13.6 | 13.6 | 13.6 | 13.6 | |
| Licensed ORs | 16.0 | 16.0 | 16.0 | 16.0 | |
| Surplus/Deficit (-)of Operating Rooms | 2.4 | 2.4 | 2.4 | 2.4 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 10*

In its application, RSC does not acknowledge that CMC-NorthEast has a **2.4 operating room surplus through FFY 2014**, as shown in the previous table.

3. CMC – Mecklenburg County

On pages 428 - 436 of RSC CON Application Exhibit 17, RSC sets out the methodology used to project surgical cases at CMC. RSC first presented surgical utilization at CMC over the last six fiscal years. As shown in the following table, it was necessary to look back six years in order to calculate a positive CAGR for inpatient surgical cases

**CMC Surgical Utilization**
**October 1, 2005 – September 30, 2010**

| Surgical Cases | FFY 2005 | FFY 2006 | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2005-2010 | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|---|---|---|
| Inpatient | 14,329 | 14,787 | 16,361 | 15,067 | 14,983 | 14,564 | 0.3% | -3.8% | -1.7% |
| % Change | | 3.2% | 10.6% | -7.9% | -0.6% | -2.8% | | | |
| Outpatient | 14,631 | 14,759 | 12,300 | 13,572 | 15,221 | 15,078 | 0.6% | 7.0% | 5.4% |
| % Change | | 0.9% | -16.7% | 10.3% | 12.2% | -0.9% | | | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 11*

Instead of using a historical utilization-based CAGRs, RSC chose to grow CMC surgical volume at "an annual rate of CMC's Service Area population from 2010-2014, 1.9%." RSC states in its application that it considers a 1.9% population growth rate applied to future surgical cases to be a conservative assumption. However, this is in direct conflict with the CMC actual historical CAGR for the three time period's shown in the table directly above (0.3%; -3.8%, and -1.7%); the CAGR for two of these three time periods is negative, which suggested that the choice of a 1.9% growth rate is unsupported.

RSC fails to acknowledge that CMC projects that inpatient surgical volume will continue its decline in FFY 2010, and that CMC projects a decline in outpatient cases in 2010. CHS also is in the middle of a major shift in surgical services from CMC to CMC-Mercy and CMC-Pineville, as discussed in the RSC CON Application on page 21. Based on the most recent January 29, 2010 CMC-Pineville CON Progress report on file with the Agency, the expanded surgical program at CMC-Pineville is projected to open on July 1, 2013, which falls in the middle of RSC's Project Year 2 (10/1/2012 – 9/30/2013). Thus, the ongoing development of the CMC-Pineville project will continue to result in additional surgical volume shifting from CMC to CMC-Mercy and CMC-Pineville as discussed in Exhibit 17 of the RSC CON Application.

It appears that in its RSC CON Application for a JV ENT Surgery Center, RSC chose to use a higher growth rate to compensate for surgical volume shifts from CMC to CMC-Mercy, to CMC-Pineville, to Piedmont Medical Center (the Tenet Hospital in Fort Mill, SC) Presbyterian Hospital Mint Hill, and Randolph Surgery Center. The resulting projected surgical volume is shown in the following table.

**CMC Projected Surgical Utilization**
**FFY 2012 - FFY 2014**
**October 1, 2012 – September 30, 2014**

| RSC CON Application = 1.9% Growth Rate | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|
| Inpt Surgical Cases | 14,574 | 14,269 | 14,240 | -2.3% |
| Projected Growth Rate = 1.9% | 1.9% | 1.9% | 1.9% | |
| Weighted Inpt Cases at 3 Hrs/Case | 43,722 | 42,807 | 42,720 | |
| Outpt Surgical Cases | 15,916 | 16,085 | 16,184 | 1.7% |
| Projected Growth Rate = 1.9% | 1.9% | 1.9% | 1.9% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 23,874 | 24,128 | 24,276 | |
| ORs Needed at 1,872 | 36.1 | 35.8 | 35.8 | |
| Licensed ORs | 37 | 37 | 37 | |
| Surplus/Deficit (-) of Operating Rooms | 0.9 | 1.2 | 1.2 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 12*

In its ENT Surgery Center CON Application, RSC fails to acknowledge that even using the higher population growth rate to project utilization for surgical procedures at CMC, total operating room need continues to reflect a **1.2 operating room surplus through FFY 2014**, as shown in the above table.

4. CMC-Mercy – Mecklenburg County

On pages 437 - 468 of RSC CON Application Exhibit 17, RSC sets out an elaborate methodology used to project surgical cases at CMC-Mercy. Historical utilization over the last four fiscal years at CMC-Mercy is shown in the following table.

**CMC-Mercy Surgical Utilization**
**October 1, 2006 – September 30, 2010**

| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,693 | 2,225 | 2,588 | 3,094 | 22.3% | 17.9% |
| % Change | | 31.4% | 16.3% | 19.6% | | |
| Outpt Surgical Cases | 5,494 | 5,113 | 5,000 | 4,908 | -3.7% | -2.0% |
| % Change | | -6.9% | -2.2% | -1.8% | | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 13*

Please note the existence of increasing inpatient volume and decreasing outpatient volume at CMC-Mercy. The increase in inpatient surgical volume is directly related to the decrease in inpatient surgical volume previously discussed at CMC. CHS is in the middle of a major shift in surgical services from CMC to CMC-Mercy and CMC-Pineville, as discussed in the RSC CON Application.

RSC updated projections in Project ID F-8092-08, based those updated projections on calendar year 2009 data, and then converted calendar year projections to fiscal year. Projections are set forth in the following table.

**CMC-Mercy Projected Surgical Utilization**
**FFY 2012 - FFY 2014**
**October 1, 2012 – September 30, 2014**

| RSC CON Application | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|
| Inpt Surgical Cases | 4,824 | 5,240 | 5,676 | 17.7% |
| % Change | | 8.6% | 8.3% | |
| Weighted Inpt Cases at 3 Hrs/Case | 14,472 | 15,720 | 17,028 | |
| Outpt Surgical Cases | 6,349 | 6,638 | 6,931 | 9.2% |
| % Change | | 4.6% | 4.4% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 9,524 | 9,957 | 10,397 | |
| ORs Needed at 1,872 | 12.8 | 13.7 | 14.6 | |
| Licensed ORs | 15 | 15 | 15 | |
| Surplus/Deficit (-) of Operating Rooms | 2.2 | 1.3 | 0.4 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 14*
** Two operating rooms are relocating from Northcross pursuant to Project ID F-7468-06, and two operating rooms are relocating from CSC-Randolph pursuant to Project ID F-8092-08. Project IDs F-7468-06 and Project ID F-8092-08 became operational on April 1, 2010.*

The growth rate assumptions utilized by RSC in the previous table are quite aggressive and are unsubstantiated; RSC did not provide any documentation to support this high growth rate. As discussed in Exhibit 17 of the RSC CON Application, the shift of surgical volume from CMC to CMC-Mercy has essentially been completed as discussed in the sections related to CMC and CMC-Mercy. Therefore, the high growth rates experienced were temporary. Furthermore, there is no justification for a 4.4% outpatient growth rate when outpatient volume has decreased annually since 2007 at CMC-Mercy. These growth rates are unreasonable and unsupported.

The following table illustrates the impact of using an alternative growth rate based upon the weighted population growth of the RSC Primary Service Area. Using the alternative growth rate of 1.8% to project surgical volume at CMC-Mercy, results in far fewer future surgical cases, as shown in the following table.

**CMC-Mercy Alternative Projected Surgical Utilization**
**FFY 2011 - FFY 2014**
**October 1, 2011 – September 30, 2014**

| Alternative Methodology = 1.8% Growth Rate | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 3,681 | 4,288 | 4,916 | 5,567 | 29.8% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Inpt Cases at 3 Hrs/Case | 11,042 | 12,864 | 14,748 | 16,700 | |
| Outpt Surgical Cases | 5,376 | 5,853 | 6,443 | 7,053 | 20.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 8,064 | 8,779 | 9,665 | 10,580 | |
| ORs Needed at 1,872 | 10.2 | 11.6 | 13.0 | 14.6 | |
| Licensed ORs | 15 | 15 | 15 | 15 | |
| Surplus/Deficit (-) of Operating Rooms | 4.8 | 3.4 | 2.0 | 0.4 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 14*

The previous table also includes adjustments to reflect the continued shift in surgical volume from CMC to CMC-Mercy as discussed in Exhibit 17 of the RSC CON Application. As a result, growth at CMC-Mercy remains healthy and the operating room surplus at Mercy is projected to decrease.

5. CMC-Pineville – Mecklenburg County

On pages 469 - 472 of RSC CON Application Exhibit 17, RSC sets out the methodology used to project future surgical cases at CMC-Pineville. RSC first presented historical utilization over the last four fiscal years, as shown in the following table.

**CMC-Pineville Surgical Utilization**
**October 1, 2006 – September 30, 2010**

| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,281 | 1,310 | 1,430 | 1,736 | 10.7% | 15.1% |
| % Change | | 2.3% | 9.2% | 21.4% | | |
| Outpt Surgical Cases | 4,966 | 4,916 | 4,946 | 6,510 | 9.4% | 15.1% |
| % Change | | -1.0% | 0.6% | 31.6% | | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 15*

RSC projects that CMC-University will experience 10.7% inpatient growth through FFY 2014 and 9.4% outpatient growth rate, and will shift 145 outpatient surgical cases per year to Randolph Surgery Center, as shown in the following table. CMC-University is also shifting some of its assets to the expanded and renovated CMC-Pineville, including 36 acute beds.

**CMC-Pineville Projected Surgical Utilization**
**FFY 2011 - FFY 2014**
**October 1, 2011 – September 30, 2014**

| RSC CON Application = 10.7% Inpt Growth Rate & 9.4% Outpt Growth Rate | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,921 | 2,126 | 2,353 | 2,603 | 35.5% |
| Projected Growth Rate = 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | |
| Weighted Inpt Cases at 3 Hrs/Case | 5,763 | 6,378 | 7,059 | 7,809 | |
| Outpt Surgical Cases | 7,125 | 7,798 | 8,534 | 9,340 | 31.1% |
| Projected Growth Rate = 9.4% | 9.4% | 9.4% | 9.4% | 9.4% | |
| Cases Shifted to RSC | | 145 | 145 | 145 | |
| Outpt Surgical Cases Remaining at CMC-Pineville | 7,125 | 7,653 | 8,389 | 9,195 | 29.1% |
| Weighted Outpt Cases at 1.5 Hrs/Case | 10,688 | 11,697 | 12,801 | 14,010 | |
| ORs Needed at 1,872 | 8.8 | 9.7 | 10.6 | 11.7 | |
| Licensed ORs* | 7 | 10 | 10 | 10 | |
| Surplus/Deficit (-) of Operating Rooms | -1.8 | 0.3 | -0.6 | -1.7 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 16*
**One inpatient operating room is relocating from CMC-Mercy pursuant to F-7313-05, and two shared operating rooms are relocating from CSC-Randolph pursuant to Project ID F-7979-07.*

As in the case of CMC-Mercy, CMC-Pineville has been the beneficiary of the ongoing CHS master plan for its Mecklenburg County operating rooms which results in the shift of surgical services from CMC to CMC-Mercy and CMC-Pineville. Growth rate assumptions utilized by RSC (10.7% and 9.4%) seem excessive and unsupported in light of a 1.8% projected population weighted growth rate for the RSC Primary Service Area.

The following table illustrates the impact of using an alternative growth rate based upon the weighted population growth of the RSC Primary Service Area. Using the alternative growth rate of 1.8% to project surgical volume at CMC-Pineville, results in far fewer future surgical cases, as shown in the following table.

**CMC-Pineville Alternative Projected Surgical Utilization**
**FFY 2011 - FFY 2014**
**October 1, 2011 – September 30, 2014**

| Alternative Methodology = 1.8% Growth Rate | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,767 | 1,799 | 1,831 | 1,864 | 5.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Inpt Cases at 3 Hrs/Case | 5,302 | 5,397 | 5,494 | 5,593 | |
| Outpt Surgical Cases | 6,627 | 6,746 | 6,868 | 6,992 | 5.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Volume Shift to RSC | | 145 | 145 | 145 | |
| Outpt Surgical Cases Remaining at CMC-Pineville | 6,627 | 6,601 | 6,723 | 6,847 | 3.3% |
| Weighted Outpt Cases at 1.5 Hrs/Case | 9,941 | 9,902 | 10,084 | 10,270 | |
| ORs Needed at 1,872 | 8.1 | 8.2 | 8.3 | 8.5 | |
| Licensed ORs | 7 | 10 | 10 | 10 | |
| Surplus/Deficit (-) of Operating Rooms | -1.1 | 1.8 | 1.7 | 1.5 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 16*
**One inpatient operating room is relocating from CMC-Mercy pursuant to F-7313-05, and two shared operating rooms are relocating from CSC-Randolph pursuant to Project ID F-7979-07.*

The above table also includes adjustments to reflect the continued shift in surgical volume from CMC to CMC-Pineville as discussed in Exhibit 17 of the RSC CON Application and the shift of procedures from CMC-Pineville to RSC. As a result, growth at CMC-Pineville remains healthy and the operating room surplus at Pineville is projected to continue decreasing. CMC-Pineville continues to have a surplus of operating rooms in 2014.

6. CMC-University – Mecklenburg County

On pages 473 - 476 of RSC CON Application Exhibit 17, RSC sets out the methodology used to project surgical cases at CMC-University. RSC first presented historical utilization over the last four fiscal years, as shown in the following table.

**CMC-University Surgical Utilization**
**FFY 2006 - FFY 2010**
**October 1, 2006 – September 30, 2010**

| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,051 | 1,058 | 1,106 | 1,064 | 0.4% | 0.3% |
| % Change | | 0.7% | 4.5% | -3.8% | | |
| Outpt Surgical Cases | 4,876 | 4,933 | 4,579 | 5,358 | 3.2% | 4.2% |
| % Change | | 1.2% | -7.2% | 17.0% | | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 17*

RSC projects that CMC-University will experience 0.4% inpatient growth and 3.2% outpatient growth through FFY 2014, and will shift 122 outpatient surgical cases per year to Randolph Surgery Center, as shown in the following table.

**CMC-University Projected Surgical Utilization**
**FFY 2011 - FFY 2014**
**October 1, 2011 – September 30, 2014**

| RSC CON Application = 0.4% Inpt Growth Rate & 3.2% Outpt Growth Rate | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,068 | 1,073 | 1,077 | 1,082 | 1.3% |
| Projected Growth Rate = 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | |
| Weighted Inpt Cases at 3 Hrs/Case | 3,204 | 3,219 | 3,231 | 3,246 | |
| Outpt Surgical Cases | 5,529 | 5,706 | 5,888 | 6,076 | 9.9% |
| Projected Growth Rate = 3.2% | 3.2% | 3.2% | 3.2% | 3.2% | |
| Cases Shifted to RSC | | 122 | 122 | 122 | |
| Outpt Surgical Cases Remaining at CMC-University | 5,529 | 5,584 | 5,766 | 5,954 | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 8,294 | 8,376 | 8,649 | 8,931 | |
| ORs Needed at 1,872 | 6.1 | 6.2 | 6.3 | 6.5 | |
| Licensed ORs | 9 | 9 | 9 | 9 | |
| Surplus/Deficit (-) of Operating Rooms | 2.9 | 2.8 | 2.7 | 2.5 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 18*

In its application, RSC does not acknowledge that CMC-University continues to have a **three operating room surplus through FFY 2014**, as shown in the previous table.

7. Carolina Center for Specialty Surgery – Mecklenburg County

On pages 477 - 479 of RSC CON Application Exhibit 17, RSC sets out the methodology used to project surgical cases at Carolina Center for Specialty Surgery. CCSS is owned 100% by CHS. RSC first presented historical utilization over the last four fiscal years, as shown in the following table.

**Carolina Center for Specialty Surgery Surgical Utilization**
**FFY 2006 - FFY 2010**
**October 1, 2006 – September 30, 2010**

| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Outpt Surgical Cases | 717 | 1,182 | 1,159 | 1,176 | 17.9% | -0.3% |
| % Change | | 64.9% | -1.9% | 1.5% | | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 19*

Carolina Center for Specialty Surgery received CON approval (as Waveco, LLC) in December 2005 and did not open until 2006 as a freestanding ambulatory surgery center. In its application,

RSC projects that CCSS surgical cases will grow at 9% annually through FFY 2014. That rate of growth is extremely optimistic, since Carolina Center for Specialty Surgery is a relatively new facility. Since Carolina Center for Specialty Surgery did not open until 2006, the high growth experienced from 2007 to 2008 is part of the three-year ramp up period routinely experienced by new healthcare facilities. From a health planning perspective, the use of one year's high growth rate (64.9% from 2007 to 2008) to calculate a multi-year Compound Annual Growth Rate will skew future projections. Therefore, this ramp-up year growth rate should not be included when projecting future volume for a relatively new facility. In addition, CAGR from FFY 2008 to FFY 2010 was negative. Therefore, the 9.0% CAGR is unreasonable and unsupported.

An alternative methodology using the projected RSC Primary Service Area weighted population growth rate of 1.8% is also shown in the following table. Another alternative would be to project future utilization for Carolina Center for Specialty Surgery using the growth rate used for Northcross, which has similar utilization trends, and used a 0.0% growth rate. RSC did not provide any explanation to differentiate between surgical facilities for which volumes have been negative. Thus, again, the CCSS CAGR proposed by the applicant is unreasonable and unsubstantiated.

**Carolina Center for Specialty Surgery Projected Surgical Utilization**
**FFY 2011 - FFY 2014**
**October 1, 2011 – September 30, 2014**

| **RSC CON Application = 9% Growth Rate** | **FFY 2011** | **FFY 2012** | **FFY 2013** | **FFY 2014** | **Aggregate Growth** |
|---|---|---|---|---|---|
| Outpt Surgical Cases | 1,281 | 1,396 | 1,522 | 1,658 | 29.4% |
| Projected Growth Rate = 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 1,922 | 2,094 | 2,283 | 2,487 | |
| ORs Needed at 1,872 | 1.0 | 1.1 | 1.2 | 1.3 | |
| Licensed ORs | 2 | 2 | 2 | 2 | |
| Surplus/Deficit (-) **of Operating Rooms** | 1.0 | 0.9 | 0.8 | 0.7 | |
| **Alternative Methodology = 1.8% Growth Rate** | **FFY 2011** | **FFY 2012** | **FFY 2013** | **FFY 2014** | **Aggregate Growth** |
| Outpt Surgical Cases | 1,197 | 1,219 | 1,241 | 1,263 | 5.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 1,796 | 1,828 | 1,861 | 1,894 | |
| ORs Needed at 1,872 | 1.0 | 1.0 | 1.0 | 1.0 | |
| Licensed ORs | 2 | 2 | 2 | 2 | |
| Surplus/Deficit (-) **of Operating Rooms** | 1.0 | 1.0 | 1.0 | 1.0 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 20*

The above table illustrates the impact of using the alternative growth rate based upon the weighted population growth rate to project future utilization for CCSS. Using the alternative growth rate of 1.8% to project surgical volume at CCSS, results in far fewer future surgical cases, as demonstrated in the previous table.

RSC does not acknowledge that Carolina Center for Specialty Surgery has an **operating room surplus through FFY 2014**, as shown in the previous table.

8. Northcross Surgery Center – Mecklenburg County

On pages 480 - 483 of RSC CON Application Exhibit 17, RSC sets out the methodology used to project surgical cases at Northcross Surgery Center. RSC first presented historical utilization for the CMC Northcross Surgery Center over the last four fiscal years, as shown in the following table.

**Northcross Surgery Center Surgical Utilization**
**FFY 2007 - FFY 2010**
**October 1, 2006 – September 30, 2010**

| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007 - 2010 | CAGR 2008 - 2010 |
|---|---|---|---|---|---|---|
| Outpt Surgical Cases | 2,074 | 2,064 | 1,730 | 2,044 | -0.5% | -0.5% |
| % Change | | -0.5% | -16.2% | 18.2% | | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 21*

RSC utilized a zero growth methodology, projecting that Northcross Surgery Center will experience 0% growth through FFY 2014, and will shift 32 outpatient surgical cases per year to Randolph Surgery Center, as shown in the following table.

**Northcross Surgery Center Projected Surgical Utilization**
**FFY 2011 - FFY 2014**
**October 1, 2011 – September 30, 2014**

| RSC CON Application = 0% Growth Rate | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Outpt Surgical Cases | 2,044 | 2,044 | 2,044 | 2,044 | 0.0% |
| Projected Growth Rate = 0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Cases Shifted to RSC | | 32 | 32 | 32 | |
| Outpt Surgical Cases Remaining at Northcross | 2,044 | 2,012 | 2,012 | 2,012 | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 3,066 | 3,018 | 3,018 | 3,018 | |
| ORs Needed at 1,872 | 1.6 | 1.6 | 1.6 | 1.6 | |
| Licensed ORs | 2 | 2 | 2 | 2 | |
| Surplus/Deficit (-) of Operating Rooms | 0.4 | 0.4 | 0.4 | 0.4 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 22*

Even though RSC projects Northcross Surgery Center at zero percent growth, RSC and CHS did not acknowledge in its application for a new ENT surgery center that utilization at Northcross in 2010 is less than 2007 and 2008 and Northcross has an **operating room surplus of 0.4 ORs continually until FFY 2014**, as shown in the previous table.

9. Union Health Services – Union County

On pages 487 - 500 of RSC CON Application Exhibit 17, RSC sets out the methodology used to project surgical cases at Union Health Services, the CMC 2-OR surgery center in Indian Trail. Union Health Services does not have any historical volume because it was not yet operational on July 15, 2010 when the RSC CON Application was filed.

RSC used the methodology set forth in Project ID F-8832-09 (addition of one ambulatory surgery operating room to a facility approved in a settlement agreement in October 2006, for a total of two ambulatory surgery operating room) to project volume in FFY 2012 – FFY 2014 as reflected in the following table.

**Union Health Services/Indian Trail Surgery Center Projected Surgical Utilization**
**FFY 2012 - FFY 2014**
**October 1, 2012 – September 30, 2014**

| RSC CON Application | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|
| Outpt Surgical Cases | 2,233 | 2,448 | 2,672 | 19.7% |
| Projected Growth Rate | | 9.63% | 9.15% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 3,350 | 3,672 | 4,008 | |
| ORs Needed at 1,872 | 1.79 | 1.96 | 2.14 | |
| Licensed ORs | 2 | 2 | 2 | |
| Surplus/Deficit (-) of Operating Rooms | 0.2 | 0.0 | -0.1 | |

*Source: RSC CON Application Exhibit 17; Attachment 1, Table 25*

As shown in the previous table, RSC aggressively projects future growth for the two operating rooms at UHS at a growth rate exceeding **9%** annually. UHS did not provide any documentation in this CON to justify that previous projections remain reasonable after a two year delay in implementation. Therefore, these projections are not substantiated and the growth assumptions are unreasonable particularly given the decreases in outpatient surgery utilization experienced at CMC-Union (the hospital), which are discussed in the following section of these comments.

10. CMC-Union (The Hospital) – Monroe, Union County

On pages 487 - 500 of RSC CON Application Exhibit 17, RSC sets out the methodology used to project surgical cases at the CMC-Union hospital facility. RSC first presented surgical utilization at CMC-Union over the last six fiscal years, as shown in the following table.

**CMC-Union Surgical Utilization**
**FFY 2005 - FFY 2010**
**October 1, 2005 – September 30, 2010**

| | FFY 2005 | FFY 2006 | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2005-2010 | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,491 | 1,495 | 1,526 | 1,514 | 1,659 | 1,572 | 1.1% | 1.0% | 1.9% |
| % Change | | 0.3% | 2.1% | -0.8% | 9.6% | -5.2% | | | |
| Outpt Surgical Cases | 5,048 | 5,388 | 5,884 | 5,796 | 5,470 | 5,312 | 1.0% | -2.9% | -1.5% |
| % Change | | 6.7% | 9.2% | -1.5% | -5.6% | -2.9% | | | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 23*

RSC projects inpatient surgical cases by applying a 0.51% CAGR to annualized FFY 2010 inpatient surgical cases, and outpatient surgical cases by applying a 4.71% CAGR to annualized FFY 2010 outpatient surgical cases.

Given a decline in inpatient surgical volume in the last fiscal year (from 1,659 to 1,572 cases, a drop of almost 90 cases) and a decline in outpatient surgical volume in the last three fiscal years, as shown in the previous table (from 5,884 to 5,312, an drop of almost 190 cases per year), the growth rates utilized by RSC are overly optimistic, unsupported, and unreasonable. An alternative approach would have been to project inpatient cases by applying a 1.9% CAGR based on actual historical experience and outpatient surgical cases by applying a 0% CAGR based on actual historical experience to annualized FFY 2010. In its application, RSC used this approach for several other locations with negative growth over the last several years. RSC did not provide any explanation to differentiate between surgical facilities for which volumes have been negative. Therefore, RSC could have either explained the alternative approach for CMC-Union or could have elected to take an approach consistent with a 0.0% growth rate for CMC-Union outpatient cases.

RSC projected utilization of CMC-Union is shown in the following table. For comparison purposes, an alternative methodology using growth rates of 1.9% for inpatient (which is generous) and 0% for outpatient is also shown in the following table.

**CMC-Union Projected Surgical Utilization**
**FFY 2011 - FFY 2014**
**October 1, 2011 – September 30, 2014**

| RSC CON Application = 0.51% Inpt Growth Rate & 4.71% Outpt Growth Rate | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | | 1,545 | 1,553 | 1,561 | 1.0% |
| Weighted Inpt Cases at 3 Hrs/Case | | 4,635 | 4,659 | 4,683 | |
| Outpt Surgical Cases | | 6,202 | 6,531 | 6,875 | 10.9% |
| Weighted Outpt Cases at 1.5 Hrs/Case | | 9,303 | 9,797 | 10,313 | |
| ORs Needed at 1,872 | | 7.4 | 7.7 | 8.0 | |
| Licensed ORs | | 6 | 6 | 6 | |
| Surplus/Deficit (-) of Operating Rooms | | -1.4 | -1.7 | -2.0 | |
| **Alternative Methodology = 1.9% Inpt Growth Rate & 0% Outpt Growth Rate** | **FFY 2011** | **FFY 2012** | **FFY 2013** | **FFY 2014** | **Aggregate Growth** |
| Inpt Surgical Cases | 1,600 | 1,629 | 1,658 | 1,688 | 5.5% |
| Weighted Inpt Cases at 3 Hrs/Case | 4,801 | 4,887 | 4,975 | 5,065 | |
| Outpt Surgical Cases | 5,312 | 5,312 | 5,312 | 5,312 | 0% |
| Weighted Outpt Cases at 1.5 Hrs/Case | 6,815 | 6,815 | 6,815 | 6,815 | |
| ORs Needed at 1,872 | 6.2 | 6.3 | 6.3 | 6.3 | |
| Licensed ORs | 6 | 6 | 6 | 6 | |
| Surplus/Deficit (-) of Operating Rooms | -0.2 | -0.3 | -0.3 | -0.3 | |

*Source: RSC CON Application F-8550-10, Exhibit 17; Attachment 1, Table 24*

As shown in the above table, a more reasonable and supported growth rate results in no additional operating room rooms need at CMC-Union through Project Year 3. In its CON Application, it appears that RSC chose a CMC-Union future volume projection method, to maximize surgical volume and surgical hours at CMC-Union to make up for the significant surplus in CHS system-wide operating room inventory, as discussed in detail in Subsection E below.

## E. CHS Projects System-wide Surgical Operating Room Surplus in the Third Project Year (FFY 2014)

RSC combined the multiple projected CHS facility-level surgical utilization projections to determine the CHS operating rooms needed in 2014, which are reflected in the following table. In order to achieve the volume projections in the following table, RSC used many complicated and multi-step methodologies with aggressive and unsupported growth rates as set forth in RSC CON Application Exhibit 17. In Subsection D. above, the methodology used to project surgical volume at each CHS facility was analyzed. It is instructive to view those combined total surgical case methodologies for a CHS system-wide perspective.

The following table shows CHS surgical utilization of its hospitals and surgery centers in the Service Area in Project Year Three of the proposed Randolph Surgery Center (FFY 2014).

**CHS Systemwide Projected Surgical Utilization Included in RSC CON Application**
**October 1, 2013 – September 30, 2014**

| Project Year 3 October 1, 2013-September 30, 2014 | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | NorthCross | Carolina Ctr Specialty Surgery | CMC-Union | Union Health Srvcs | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpt | 0 | 5,058 | 14,240 | 5,676 | 2,603 | 1,082 | 0 | 0 | 1,561 | 0 | 30,220 |
| Outpt | 8,060 | 6,816 | 16,184 | 6,931 | 9,195 | 5,954 | 2,012 | 1,658 | 6,875 | 2,672 | 66,357 |
| Total | 8,060 | 11,874 | 30,424 | 12,607 | 11,798 | 7,036 | 2,012 | 1,658 | 8,436 | 2,672 | 96,577 |
| Weighted Surgical Hours | 12,090 | 25,398 | 66,996 | 27,425 | 21,602 | 12,177 | 3,018 | 2,487 | 14,996 | 4,008 | 190,196 |
| ORs Needed at 1,872 Hrs/Year | 6.46 | 13.57 | 35.79 | 14.65 | 11.54 | 6.505 | 1.61 | 1.33 | 8.01 | 2.14 | 101.60 |
| OR Need Based Upon Defined Rounding in SMFP | 6.0 | 14.0 | 36.0 | 15.0 | 12.0 | 7.0 | 2.0 | 1.0 | 8.0 | 2.0 | 103.0 |
| Licensed ORs* | 4 | 17 | 37 | 15 | 10 | 9 | 2 | 2 | 6 | 2 | 104 |
| Surplus/Deficit (-) of Operating Rooms | -2.0 | 3.0 | 1.0 | 0.0 | -2.0 | 2.0 | 0.0 | 1.0 | -2.0 | 0.0 | 1.0 |

Source: *Attachment 1, Table 5*

Even using the overly optimistic and unsupported growth rates shown in the following table for most locations, it should be noted that that operating rooms at **four of the ten CHS hospitals and surgery centers** in the RSC Service Area remain underutilized and a system-wide **surplus of 1.0 operating room** remains based upon the CHS methodology in the RSC CON Application.

The following table reflects the aggregate total projected growth rate and the average annual projected growth rate for each of the ten CHS system hospitals and surgery centers used by RSC to project future surgical utilization for the CHS "related entities" in RSC CON Application Exhibit 17.

**CHS Projected Surgical Growth Rates By Surgical Facility**
**Utilized in RSC CON Application**
**FFY 2010– FFY 2014**
**October 1, 2010 - September 30, 2014**

| RSC CON Application | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | Northcross | Carolina Ctr Specialty Surgery | CMC-Union | Union Health Srvcs | OVERALL CHS Growth Rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Aggregate Projected Growth | 36.0% | 0.0% | 2.6% | 57.5% | 43.1% | 9.6% | -1.6% | 41.0% | 22.5% | | 16.6% |
| Average Annual Projected Growth | 9.0% | 0.0% | 0.7% | 14.4% | 10.8% | 2.4% | -0.4% | 10.2% | 5.6% | | 4.1% |

Source: *Attachment 1, Table 6*

The above table confirms the use an average annual projected growth rate of 4.1% overall to project future CHS surgical utilization.

- This growth rate **exceeds** the projected Service Area population growth rate of 1.9% reflected in the RSC CON Application.
- This growth rate **exceeds** the 1.8% weighted population growth rates discussed in these Comments.
- This growth rate **exceeds** the historical CAGRs for FFY 2007 - FFY 2010 discussed in these Comments at all but three of the ten CHS facilities: Gateway, CMC-Mercy and CMC-Pineville.
- This growth rate **exceeds** the historical CAGRs for FFY 2008 - FFY 2010 discussed in these Comments at all but two of the ten CHS facilities: CMC-Mercy and CMC-Pineville.
- This growth rate **exceeds** the historical CAGR for FFY 2007 - FFY 2010 CAGR of 2.0% and the FFY 2008 - FFY 2010 CAGR of 2.4% for combined CHS surgical facilities as shown in the following table.

As shown in the following table the 4.1% overall CHS surgical growth rate used in the RSC CON Application exceeds total surgical growth at CHS from FFY 2007 through FFY 2010 as shown in the following table. The CAGR for all CHS surgical facilities was only 2.0% from FFY 2007 to FFY 2010. RSC is projecting overall growth for CHS surgical facilities at an annual growth rate of over 4% as reflected in the above table.

**Total Surgical Utilization - All CHS Surgical Facilities 2007-2010**

| Total CHS System-wide Growth 2007-2010 | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Total Surgery | 75,688 | 76,518 | 78,538 | 80,218 | 2.0% | 2.4% |
| % Change | | 1.1% | 2.6% | 2.1% | | |

*Source: Attachment 1, Table 37*

It should be noted that the volume growth at CMC-Pineville and CMC-Mercy has been the result of shifting surgical procedures from one CHS facility to another. Thus, these are not net new surgical cases to the CHS system surgical programs. As a result, the growth rates utilized for most of the CHS surgical facilities are excessively optimistic, unsubstantiated, and unreasonable.

When more reasonable alternative methodologies, based upon actual historical utilization and ongoing market changes, are used to project utilization for all CHS surgical providers in the Mecklenburg-Cabarrus-Union Service Area, it is determined that there is volume to support **only 95 of its 104** existing and approved operating rooms in Project Year Three (FFY 2014).

A comparison of the RSC's methodology used to project surgical volume and the Novant alternative methodology is shown in the following table.

**CHS Systemwide Projected Surgical Utilization**
**RSC Methodology and Novant Alternative Methodology**
**October 1, 2013 – September 30, 2014**

| **RSC CON Application** | **CHS System-wide** |
|---|---|
| Inpt | 30,220 |
| Outpt | 66,356 |
| Total | 96,576 |
| Weighted Surgical Hours | 190,194 |
| ORs Needed at 1,872 Hrs/Year | 101.60 |
| ORs Needed Based Upon SMFP Rounding | 102 |
| Approved and Existing ORs | 104 |
| **Surplus/Deficit (-) of Operating Rooms** | 2 |
| **Alternative Methodology** | **CHS System-wide** |
| Inpt | 29,499 |
| Outpt | 59,822 |
| Total | 89,321 |
| Weighted Surgical Hours | 178,230 |
| ORs Needed at 1,872 Hrs/Year | 95.21 |
| ORs Needed Based Upon SMFP Rounding | 95 |
| Approved and Existing ORs | 104 |
| **Surplus/Deficit (-) of Operating Rooms** | 9 |

Source: *Attachment 1, Table 32*

As discussed in this Section, the projections provided by RSC are aggressive, unsupported, and unreasonable and do not support the need for all 104 of the CHS existing and approved operating rooms. Therefore, the proposed project is non-conforming to requirements in the CON Criteria and Standards for Surgical Services and subsequently Criterion 3. CHS has failed to reasonably demonstrate the need for its 104 existing and approved ORs.

### F. Combined Randolph Surgery Center (Adjusted), SouthPark Surgery Center (SPCS) and CHS Systemwide (Adjusted) Projected Surgical Volumes Do Not Justify 112 Total Operating Rooms for CHS

As discussed throughout these Comments, the projections provided by RSC in its CON Application are aggressive, unsubstantiated and unreasonable and do not support the addition of the proposed two-operating room demonstration ENT surgery center, **plus** all 110 existing and approved operating rooms owned by CHS and RSC's related entities. All 112 operating rooms must be justified to approve the proposed project as required by the CON Surgical Services and OR Regulations and CON statutory Review Criterion 3. As illustrated in Subsections D and E, RSC used excessively optimistic, unsupported, and unreasonable growth rates for many of the CHS surgical facilities. The following table summarizes the total combined operating room need based upon the Alternative Growth Rate methodologies presented in Subsection A for RSC and in Subsection D for all CHS facilities.

**Combined RSC and Related Entity Surgical Projections**
**Using Alternative Growth Rate Methodologies**

| | CHS System-wide | RSC | SouthPark | Total |
|---|---|---|---|---|
| Inpt | 29,499 | 0 | 0 | 29,499 |
| Outpt | 59,822 | 3,099 | 12,148 | 75,068 |
| Total | 89,321 | 3,099 | 12,148 | 104,567 |
| Weighted Surgical Hours | 178,230 | 4,648 | 18,221 | 201,099 |
| ORs Needed at 1,872 Hrs/Year | 95.21 | 2.48 | 9.73 | 107.42 |
| ORs Needed Based upon Rounding in SMFP | 95 | 2 | 10 | 107 |
| Approved and Existing ORs | 104 | 2 | 6 | 112 |
| Surplus/Deficit (-) of Operating Rooms | 9 | 0 | -4 | 5 |

Source: *Attachment 1, Table 32*

As shown in the above table, when growth rate assumptions based upon actual historical utilization and market variables by facility are used to project future surgical volume, RSC and its related entities can justify only 107 of the 112 total operating rooms. It should be noted that projected surgical volumes reflected in the above table using alternative projections reflect an overall annual growth rate **greater** than the CHS actual historical growth rate and projections presented in Subsection C above.

Using either the CHS CAGR methodology included in Subsection C of these Comments or the alternative methodologies presented in Subsections A and D, RSC and its "related entities" do not justify the 112 operating rooms reflected in CON requirements for the development of additional operating rooms and therefore, the project should be denied.

## *N.C.G.S. Section131E-183 (4): Least Costly or Most Effective Alternative*

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

The proposed project is in response to the 2010 Demonstration Project for a Two Operating Room Specialty Surgical Center in Mecklenburg, Union and Cabarrus Counties. ENT is not the most highly utilized outpatient surgical specialty in the SMFP-defined three-county greater Charlotte Service Area for a demonstration specialty ambulatory surgery center. As pointed out on page 81 of the RSC CON Application, there are three other surgical specialties with more surgical volume in the three-county area than ENT. These three outpatient surgical specialties with greater surgical volumes are: Orthopedics, General Surgery, and Ophthalmology. Among the competing CON Applications filed on July 15, 2010 for the Charlotte area Demonstration Project Surgery Center, are CON applications for Orthopedics and Ophthalmology, for the Agency's consideration.

**Outpatient Surgery By Specialty**
**Mecklenburg, Union, Cabarrus Counties**

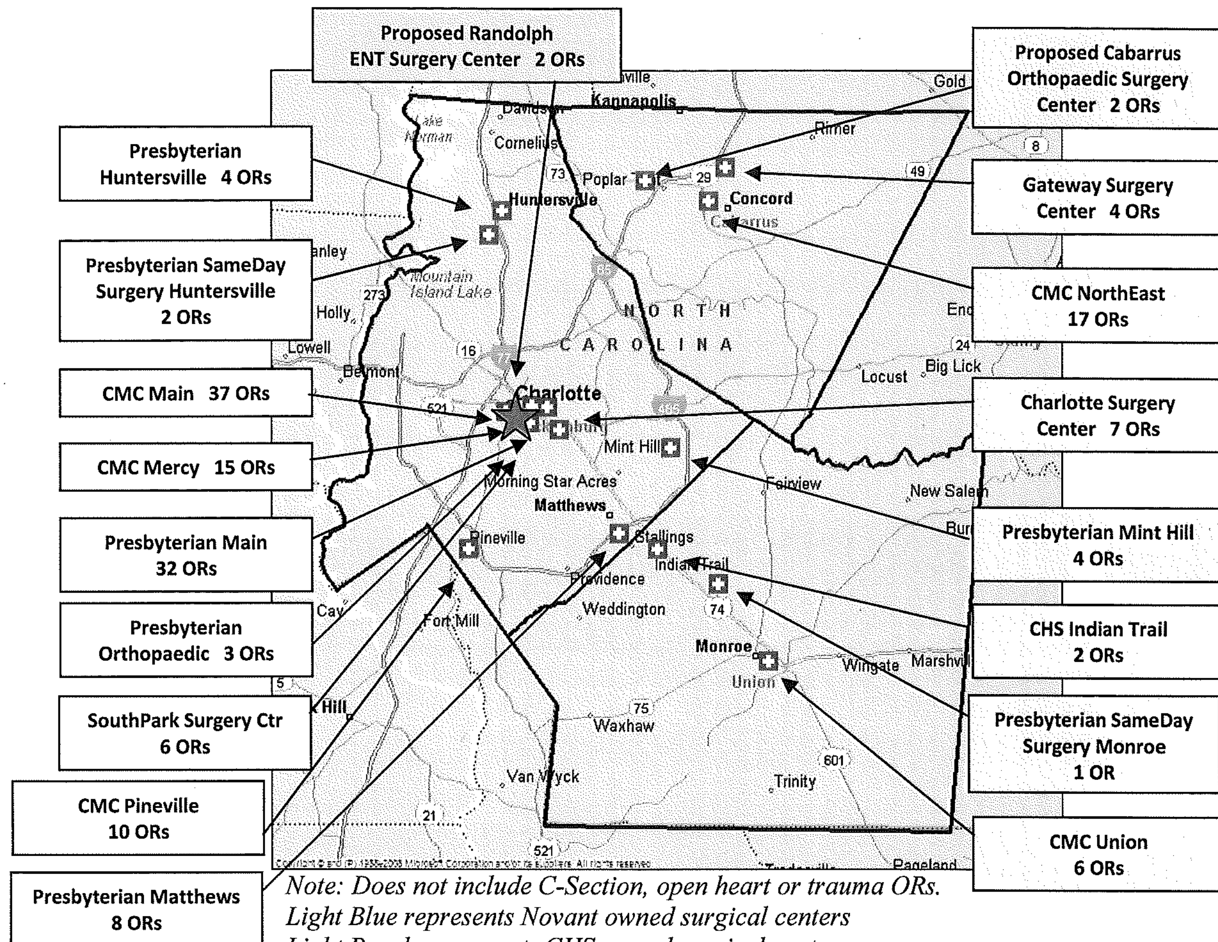
| Specialty | Surgical Volume FFY 2009 | Percent of Total Outpt Surgery |
|---|---|---|
| Orthopedics | 23,694 | 23.0% |
| General Surgery | 20,945 | 20.3% |
| Ophthalmology | 17,239 | 16.7% |
| ENT | 12,849 | 12.4% |
| All Other | 28,502 | 27.6% |
| Total | 103,229 | 100.0% |

*Source: RSC CON Application page 81*

As shown in the previous table, there were nearly twice as many orthopedic outpatient surgical procedures in the three-county region than ENT outpatient surgical procedures in FFY 2009. RSC argues that the Charlotte Surgery Center, a freestanding multi-specialty ambulatory surgery with a large volume of orthopedic surgical cases, as well as surgical cases in six other specialties, operates as a "specialty orthopedic surgical center." Using that logic, SouthPark Surgery Center, a freestanding multi-specialty ambulatory surgery with a large volume of ENT surgical cases, and only one other specialty, should be considered a "specialty ENT surgical center." Therefore, there is no reason for a second dedicated ENT specialty ENT surgical center in central Mecklenburg County.

A second alternative not considered by RSC is location. As illustrated following map, RSC will be located in downtown Charlotte next to many existing surgical facilities. In fact, the location of the RSC ENT surgery center is less than five miles and 8 minutes from the existing Presbyterian South Park Surgery Center, in which CEENTA (the RSC 50% JV partner) owns 40%. Furthermore, RSC, to support the need for the two new ENT ORs at its new ENT surgery center, proposes to move the largest possible number of surgical cases form SPSC. This is surely the very definition of unnecessary duplication and an alternative that is neither cost effective nor most effective as required by Statutory Review Criterion (4).

**Existing and Approved Surgical Facilities Providing Surgery Mecklenburg, Cabarrus and Union Counties**




*Note: Does not include C-Section, open heart or trauma ORs.*
*Light Blue represents Novant owned surgical centers*
*Light Purple represents CHS owned surgical centers*
*Light Green represents other ownership*
*Source: 2010 SMFP*

As shown in the previous map, 100 of the existing and CON-approved operating rooms in the three-county area are located in central Mecklenburg County. An additional 22 operating rooms are located in southern Mecklenburg County and 6 more in northern Mecklenburg County. Cabarrus County has 23 operating rooms, and Union has 9 operating rooms. CHS Indian Trail surgery center in Union County is a new 2-OR freestanding surgical center under construction. In addition, in southern Mecklenburg County, OrthoCarolina and Presbyterian Healthcare received CON approval to partner in the development of a two operating room single specialty orthopedic ambulatory surgery center, Matthews Surgery Center, to serve residents of southern Mecklenburg County and Union Counties.

As a result, Cabarrus County provides the most reasonable location for the proposed single specialty surgery center; a location with a rapidly growing population, which is centrally located, and has the least impact on existing providers. Furthermore, Cabarrus County is the most reasonable location for any additional operating rooms in the SMFP Defined Service Area when considering the impact of two new operating rooms on existing surgical facilities. Furthermore, in both Mecklenburg and Union Counties, payors and patients have choices since surgical services

are offered by more than one provider; currently in Cabarrus County, there is only one provider of surgical services (CMC-NE) and thus, less choice for payors and patients.

**Operating Room Utilization of Existing Surgical Facilities Performing Procedures in Cabarrus, Mecklenburg and Union Counties - FFY 2009**

| County | Weighted Surgical Hours Performed at Surgical Facilities in County | Number of Operating Rooms in County (excluding C-Section and Open Heart) | Total OR Capacity (Capacity of one OR = 2,340 Hours) | Percent Utilization |
|---|---|---|---|---|
| Cabarrus | 34,434 | 21 | 49,140 | 70.1% |
| Mecklenburg | 210,975 | 137 | 320,580 | 65.8% |
| Union | 13,425 | 10 | 23,400 | 57.4% |
| Total | 258,834 | 168 | 393,120 | 65.8% |

*Source: COSC CON Application, Exhibit 2, Table 16*

As shown in the previous table, total operating room utilization in Cabarrus County, for surgical providers, is greater than total surgical utilization at facilities in either Mecklenburg or Union County. In addition, utilization of the only freestanding ambulatory surgery center in Cabarrus County exceeded 95% in FFY 2009.

Finally, for reasons that are not made clear in the RSC CON Application, a large contingent of CEENTA's ENT surgeons chose to cast their lot with CHS, and as a result, must rise and fall with CHS.

As discussed in the context of Criterion (3) above, CHS has underutilized surgical operating room capacity within the Service Area, and as a result, was required to project surgical volume far too optimistically, and even with that, does not address its surplus of operating room capacity within the Service Area.

There are at least three alternatives that would be more effective than the proposed project. None of those three alternatives is discussed in the RSC CON Application.

1. CEENTA could have filed on its own CON application to develop a single specialty ambulatory surgery center demonstration project in the Service Area; or,
2. CEENTA could have filed a CON application with another entity that did not have underutilized operating room inventory in the Service Area; or,
3. CEENTA could have maintained the status quo, not filed a CON application with CHS to develop a single specialty ambulatory surgery demonstration project in the Service Area, and continued to perform ENT surgery in the existing 6-surgical operating room SouthPark Surgery Center, in which they have a 40% ownership interest, and which is located 4.28 miles/8 minutes from the proposed Randolph Surgery Center.

For these reasons, the RSC CON Application does not conform to Criterion (4).

## *N.C.G.S. Section131E-183 (5): Financial Feasibility*

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

Since, as discussed above in the Criterion (3) discussion, the RSC volume projections are overly optimistic and the assumptions for the RSC utilization projections are unsupported and unreasonable, the volume projections that drive the RSC CON Pro Forma financial projections are likewise unreliable. Thus, the RSC Income Statement projections are not reliable and do not demonstrate the financial feasibility of the RSC project. For these reasons, the RSC CON Application does not conform to Criterion (5).

## *N.C.G.S. Section131E-183 (6): Unnecessary Duplication of Existing Health Service Facilities*

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

If ever there were a proposed project that will result in unnecessary duplication of existing health service capabilities and facilities, it is the proposed Randolph Surgery Center.

- Randolph Surgery Center will be located 4.28 miles/8 minutes[14] from SouthPark Surgery Center.
- Randolph Surgery Center proposes to perform ENT surgical cases in two ambulatory surgical operating rooms - SouthPark Surgery Center performs ENT surgical cases in six ambulatory surgical operating rooms.
- In Project Year 1, 59.9% of the ENT ambulatory surgical volume to be performed at Randolph Surgery Center will be shifted from SouthPark Surgery Center – another 11.6% of Randolph Surgery Center volume will be shifted from Novant Health hospitals and ambulatory surgery centers – for a total of 71.5% of Randolph Surgery Center volume in Project Year 1.
- There is common ownership between the proposed the Randolph Surgery Center and the existing SouthPark Surgery Center – due to CEENTA's ownership of 50% of the former and 40% of the latter.

Secondly, the CON Section should not permit RSC to add new surgical operating rooms to a Service Area in which CHS, a related entity, has and will continue to have a systemwide surplus of existing and approved operating rooms. RSC has done all it could to obscure that surplus, by not acknowledging that a surplus exists, and by using aggressive and unsupported growth rates to project surgical utilization.

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[14] www.mapquest.com

Lastly, as shown in the map included in the Comments regarding Criterion 4, there are 100 existing and approved surgical operating rooms at CHS hospitals and ambulatory surgery centers, located in central Mecklenburg County, the proposed location of Randolph Surgery Center.

RSC has not carried their burden under Criterion (6) to demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

For these reasons, the RSC CON Application does not conform to Criterion (6).

## N.C.G.S. Section131E-183 (13): Access and Needs of Medically Underserved Population

*The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and members of the medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those identified in the State Health Plan as deserving of priority.*

***Charity Care Policy Comparison***

First, RSC's proposed Charity Care Policy is less generous than the Charity Care policies of two of the three other competing applicants:

- RSC's Charity Care policy is a Sliding Scale Policy with a 100% discount of ASC charges only available to patients with household incomes less than 150% of the Federal Poverty Level (FPL); at the other end of the Sliding Scale, the RSC Charity Care Policy specifies a 60% discount of ASC charges for patients with household incomes in the range of 301-400% FPL. Furthermore, patients owning property with an equity value of more than $50,000 are not eligible for Charity Care; this property ownership provision will disqualify many patients who own such property, but who would otherwise qualify based on household income
- The Novant Charity Care Policies for Cabarrus Orthopaedic Surgery Center, provide, with the completion of a one-page form, for 100% discount of all surgery center charges for patients with household less than 300% of the Federal Poverty Level; in addition, this Charity Care Policy does not require the equity value of property to be included in the determination of a patient's annual household income; finally, an independent third party that reviewed Charity Care Policies at North Carolina healthcare systems, characterized this same Novant Charity Care Policy as among the most generous in North Carolina
- The Horizon Eye/Cotswold Surgery Center Charity Care Policy is also a Sliding Scale Charity Care Policy; this policy provides for a 100% discount off charges for patients with a household income of 100% FPL or less; and this policy provides for a 20% discount of surgery center charges for patients with household incomes of less than 180% of FPL; in addition, this Charity Care Policy does not require the equity value of property to be included in the determination of a patient's annual household income, so this Charity Care Policy does not exclude otherwise qualified patients from its Charity Care Policy; also, in the 3-County

Demonstration Project ASC Service Area, Ophthalmology cases are more prevalent, by 5,000 cases, than ENT cases, it is reasonable to assume that the Cotswold Surgery Center Charity Care Policy will cover more patients than the RSC Charity Care Policy

*Access for Medically Underserved Populations: Medicare and Medicaid*

RSC proposes to offer the lowest payor mix percentage Medicare (based on Net Revenue) to its patients. This is based on information provided by each of the applicants in their CON Applications and CON ProForma Financial Projections.

| Provider | Medicare % of Net Revenue Project Year 2 |
|---|---|
| Randolph Surgery Center-ENT Mecklenburg County | 13.0% |
| Cotswold Surgery Center-Eye Mecklenburg County | 47.3% |
| University Surgery Center-Orthopedics Mecklenburg County | 34.0% |
| Cabarrus Orthopedic Surgery Center-Orthopedic Cabarrus County | 24.72% |

Thus, RSC is comparatively inferior to the other applicants in terms of access for the Medicare population, which Criterion (13) identifies as a medically underserved population.

RSC proposes to offer the second lowest payor mix percentage Medicaid (based on Net Revenue) to its patients. This is based on information provided by each of the applicants in Section VI of their CON Applications, in response to Question #12.

| Provider | Medicaid % of Net Revenue Project Year 2 |
|---|---|
| Randolph Surgery Center-ENT Mecklenburg County | 6.0% |
| Cotswold Surgery Center-Eye Mecklenburg County | 3.8% |
| University Surgery Center-Orthopedics Mecklenburg County | 10.0% |
| Cabarrus Orthopaedic Surgery Center-Orthopedic Cabarrus County | 12.0% |

Thus, RSC is comparatively inferior to the other applicants in terms of access for the Medicaid population, which Criterion (13) identifies as a medically underserved population.

For these reasons, the RSC CON Application does not conform to Criterion (13) and is comparatively inferior to the other applications on access for medically underserved populations.

## V. CON Criteria and Standards for Operating Room – 10A NCAC 14C .2100

The proposed project is non-conforming to the Criteria and Standards for Operating Rooms for the following reasons.

### *10A NCAC 14C .2102(b)(4)(5)*

As discussed in the context of Criterion (3) above, RSC projects unreasonable and overstated utilization at:

- Randolph Surgery Center
- Gateway Surgery Center
- CMC-Mercy
- CMC-Pineville
- Carolinas Center for Specialty Surgery
- CMC-Union.

As discussed in the context of Criterion (3) above, RSC and its related entities utilized aggressive, unsupported, and unreasonable growth assumptions to project future surgical cases. Therefore, the projected surgical volume provided in response to that Criterion is overstated. CHS has underutilized surgical operating room capacity within its systemwide inventory at hospitals and surgery centers in the RSC Service Area.

Secondly, as discussed in the context of Criterion (3) above, RSC calculates surgical cases and weighted hours, careful not to expose their sine qua non - CHS projects a systemwide surplus operating rooms in the Service Area in Project Year Three (FFY 2014).

In addition, CHS has been approved to develop a two surgical operating room multispecialty surgery center in Indian Trail/Union County (Union Health Services), which is still not operational four and a half years after a settlement agreement permitting the development of the first surgical operating room at Union Health Services (Project IDs F-7312-05 and F-8832-09).

The CON Section should not approve Randolph Surgery Center with two new surgical operating rooms when CHS, a 50% owner of the new ENT surgery center, has a system-wide surplus of existing and approved and undeveloped operating rooms in the Service Area.

### *10A NCAC 14C .2102(b)(8)(9): Surgery Center Projected Average Reimbursement*

RSC's average reimbursement per outpatient surgical case appears to be the highest among the four competing applications. See the table below for comparisons.

| | Randolph Surgery Center (ENT) | University Surgery Center (Orthopedics) | Cotswold Surgery Center (Eyes) | Cabarrus Orthopaedic Surgery Center (Orthopedics) |
|---|---|---|---|---|
| Average Reimbursement Per Case Year 2 | $3262 | N/A | N/A | N/A |
| Year 2: Range of Avg Reimbursement Per Case | N/A | Varies by Payor $83 - $1381 Per Case | $643 - $1580 Per Case | $1104 - $3579 Per Case |

## *10A NCAC 14C .2103(c)(1)(A): Performance Standards- Demonstrate the Need for Proposed and All Licensed and CON-Approved ORs Owned by the Applicant and Related Entities*

As discussed in the context of these Comments regarding Criterion 3, RSC provides detailed projections for the proposed dedicated ENT surgical center in Section III of the application, and provides detailed projections for SPSC and all existing and approved CHS surgical facilities in Exhibit 17 of the RSC CON Application. RSC never compares the overall growth projected in RSC CON Application Exhibit 17 to historical surgical volumes at CHS surgical facilities. The following table shows the aggregate total projected growth rate and the average annual projected growth rate for each of the ten CHS system hospitals and surgery centers used by RSC to project future surgical utilization for the CHS "related entities" in RSC CON Application Exhibit 17.

**CHS Systemwide**
**Projected Surgical Utilization Growth Rates**
**FFY 2010 Annualized – FFY 2014**

| RSC CON Application | CHS Overall Surgical Projected Growth Rate |
|---|---|
| Aggregate Projected Growth - All Facilities | 16.6% |
| Four Year Average Annual Projected Growth | 4.1% |

*Source: Attachment 1, Table 6*

As shown in the previous table, projected surgical growth for CHS surgical services included in the RSC CON Application reflects an overall 4.1% annual growth rate. The 4.1% overall projected growth for CHS surgical facilities is significantly greater than the projected Service Area population growth rate of 1.9% reflected in the RSC CON Application, and greater than the 1.8% weighted population growth rated discussed in these Comments. As a result, the growth rates utilized for most of the CHS surgical facilities are extraordinarily optimistic, unsupported, and unreasonable.

Furthermore, as shown in the following table the CAGR for all CHS surgical facilities was only 2.0% from 2007 to 2010. As reflected in the previous table, RSC is projecting overall growth for CHS surgical facilities at an annual growth rate of over 4% as reflected in the previous table.

### Total Surgical Utilization - All CHS Surgical Facilities FFY 2007-2010

| Total CHS Systemwide Growth 2007-2010 | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 27,160 | 26,671 | 26,697 | 27,088 | -0.1% | 0.8% |
| Outpt Surgical Cases | 48,528 | 49,847 | 51,841 | 53,130 | 3.1% | 3.2% |
| Total Surgery | 75,688 | 76,518 | 78,538 | 80,218 | 2.0% | 2.4% |
| % Change | | 1.1% | 2.6% | 2.1% | | |

*Source: RSC CON Application Exhibit 17; Attachment 1, Table 37*

CHS projects surgical volume over the next four years at a rate greater than twice the CAGR from FFY 2007 to 2010. In addition, it should be noted that overall CAGR inpatient surgical growth for CHS surgical facilities from FFY 2007 to 2010 was negative as reflected in the previous table.

The following table reflects total CHS projected operating rooms needed based upon the CAGR from 2008 to 2010 shown in the previous table.

### Projected CHS Total Operating Room Need

| Total CHS Systemwide - Option One | FFY 2010 Annualized | CAGR 2008-2010 | FFY 2011 | FFY 2012 | FFY 2013 | FFY 2014 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 27,088 | 0.8% | 27,299 | 27,512 | 27,726 | 27,942 |
| % Change | 1.5% | | | | | |
| Outpt Surgical Cases | 53,130 | 3.2% | 54,852 | 56,629 | 58,464 | 60,359 |
| % Change | 2.5% | | | | | |
| Total Surgery | 80,218 | 2.4% | | | | |
| % Change | 2.1% | | | | | |
| Weighted Surgical Hours | | | 164,174 | 167,478 | 170,874 | 174,363 |
| ORs Needed at 1872 | | | 87.7 | 89.5 | 91.3 | 93.1 |
| Current ORs | | | 104 | 104 | 104 | 104 |
| **Surplus/Deficit (-) of Operating Rooms** | | | 16.3 | 14.5 | 12.7 | 10.9 |

*Source: RSC CON Application Exhibit 17; Attachment 1, Table 38*

As shown in the previous table, using the actual CAGR for total CHS surgical facilities from FFY 2008 to 2010 to project future surgical utilization results in a surplus of 11 CHS operating rooms in 2014. The projected volume for South Park Surgery Center, which shows a need for additional operating rooms, does not result in sufficient surgical volume to justify all eleven CHS surplus operating rooms as shown in the following table. Furthermore, RSC, to support the need for the two new ENT ORs at its new ENT surgery center, proposes to move the largest possible number of surgical cases form SPSC. This is surely the very definition of unnecessary duplication of the existing outpatient ENT surgery services provided already at SPSC.

**Projected Surgical Volume RSC and Related Entities**

| RSC CON Application | CHS System-wide | RSC | SouthPark | Total |
|---|---|---|---|---|
| Inpt | 27,942 | 0 | 0 | 27,942 |
| Outpt | 60,359 | 3,140 | 12,148 | 75,646 |
| Total | 88,301 | 3,140 | 12,148 | 103,588 |
| Weighted Surgical Hours | 174,363 | 4,710 | 18,221 | 197,295 |
| ORs Needed at 1,872 Hrs/Year | 93.1 | 2.5 | 9.7 | 105.4 |
| Approved and Existing ORs | 104 | 2 | 6 | 112 |
| Surplus/Deficit (-) of Operating Rooms | 10.9 | -0.5 | -3.7 | 6.6 |

*Source: Attachment 1, Table 38*

As shown in the above table, calculating CHS surgical growth using the FFY 2008 to 2010 CAGR results in a surplus of eleven operating rooms at CHS and an overall operating room surplus of seven operating rooms for the combined RSC and its "related entities." Therefore, RSC fails to justify the existing operating room inventory of its "related entities" as required and should be denied.

That analysis is further supported by the analysis of projected utilization for each CHS surgical facilities included in the discussion of non-conformance with Criterion 3 above. The proposed project is non-conforming and should be denied.

## *10A NCAC 14C .2103(g)*

As discussed in the context of Criterion (3) above, RSC projects unreasonable and overstated utilization at:

- Randolph Surgery Center
- Gateway Surgery Center
- CMC-Mercy
- CMC-Pineville
- Carolinas Center for Specialty Surgery
- CMC-Union.

As discussed in the context of Criterion (3) above, RSC and its related entities utilized overly optimistic, unsubstantiated, and unreasonable growth assumptions to project future surgical cases. Therefore, the projected surgical volume provided in response to this criterion is overstated. CHS has underutilized surgical operating room capacity within its systemwide inventory at hospitals and surgery centers in the Service Area.

Secondly, as discussed in the context of Criterion (3) above, RSC calculates surgical cases and weighted hours, careful not to expose their sine qua non - CHS projects a system-wide surplus operating rooms in the 3-County Service Area in Project Year Three (FFY 2014).

In addition, CHS has been approved to develop a two surgical operating room multispecialty surgery center in Indian Trail/Union County (Union Health Services), which is still not

operational four and a half years after a settlement agreement permitting the development of the first surgical operating room at Union Health Services (Project IDs F-7312-05 and F-8832-09).

The CON Section should not approve Randolph Surgery Center with two new surgical operating rooms when CHS has a systemwide surplus of existing and approved and undeveloped operating rooms in the Service Area.

## VI. Conclusion

The CON Application submitted by RSC fails to conform to key CON Statutory Review Criteria reflected in N.C.G.S. Section 131E-183. The project fails to document the need for the proposed single specialty ambulatory surgery demonstration project in the Mecklenburg-Union-Cabarrus Service Area. When a CON application is not in conformity with CON Statutory Review Criterion (3), it is also found derivatively non-conforming with CON Statutory Review Criteria (1), (4), (5), (6).(12),(13), and (18a).

operational four and a half years after a settlement agreement permitting the development of the first surgical operating room at Union Health Services (Project IDs F-7312-05 and F-8832-09).

The CON Section should not approve Randolph Surgery Center with two new surgical operating rooms when CHS has a systemwide surplus of existing and approved and undeveloped operating rooms in the Service Area.

## VI. Conclusion

The CON Application submitted by RSC fails to conform to key CON Statutory Review Criteria reflected in N.C.G.S. Section 131E-183. The project fails to document the need for the proposed single specialty ambulatory surgery demonstration project in the Mecklenburg-Union-Cabarrus Service Area. When a CON application is not in conformity with CON Statutory Review Criterion (3), it is also found derivatively non-conforming with CON Statutory Review Criteria (1), (4), (5), (6).(12),(13), and (18a).

Table 1. **Existing and Approved OR Inventory CHS Related Entities**

| | County | Inpatient | Shared | Ambulatory/ Outpatient | Open-Heart | C-Section | Grand Total |
|---|---|---|---|---|---|---|---|
| Gateway | Cabarrus | | | 4 | | | **4** |
| CMC-NE | Cabarrus | | 17 | | 2 | 2 | **21** |
| CMC | Mecklenburg | 1 | 26 | 11 | 5 | 4 | **47** |
| CMC-Mercy | Mecklenburg | | 15 | | | | **15** |
| CMC-Pineville | Mecklenburg | 1 | 9 | | | 2 | **12** |
| CMC-University | Mecklenburg | | 9 | | | 1 | **10** |
| NorthCross | Mecklenburg | | | 2 | | | **2** |
| Carolina Ctr Specialty Surgery | Mecklenburg | | | 2 | | | **2** |
| CSC-Randolph* | Mecklenburg | | | 0 | | | **0** |
| CMC-Union | Union | | 6 | | | 2 | **8** |
| Union Health Srvcs | Union | | | 2 | | | **2** |
| Total | | 2 | 82 | 21 | 7 | 11 | **123** |
| Total Less Csection Open Heart and Trauma | | | | | | | **104** |

*Source: CON Application at pages 21, 37-38*

*Note: Assumes that all approved CHS ORs are in their intended locations (F-8832-09, F-7313-05, F-7979-07, F-8091-08, and F-8092-08)*

**Please note that two ORs were transferred from CSC-Randolph to CMC-Mercy; the six remaining ORs will be transferred to CMC and CMC-Pineville, and CSC Randolph will close on July 1, 2011.*

Table 2. **Existing and Approved OR Inventory Upon Completion of Project Randolph Surgery Center and CHS Related Entities**

| | County | Inpatient | Shared | Ambulatory/ Outpatient | Open-Heart | C-Section | Grand Total |
|---|---|---|---|---|---|---|---|
| Randolph Surgery Center | Mecklenburg | | | 2 | | | **2** |
| Gateway | Cabarrus | | | 4 | | | **4** |
| CMC-NE | Cabarrus | | 17 | | 2 | 2 | **21** |
| CMC | Mecklenburg | 1 | 26 | 11 | 5 | 4 | **47** |
| CMC-Mercy | Mecklenburg | | 15 | | | | **15** |
| CMC-Pineville | Mecklenburg | 1 | 9 | | | 2 | **12** |
| CMC-University | Mecklenburg | | 9 | | | 1 | **10** |
| NorthCross | Mecklenburg | | | 2 | | | **2** |
| Carolina Ctr Specialty Surgery | Mecklenburg | | | 2 | | | **2** |
| CMC-Union | Union | | 6 | | | 2 | **8** |
| Union Health Srvcs | Union | | | 2 | | | **2** |
| Total | | 2 | 82 | 23 | 7 | 11 | **125** |
| Total Less Csection Open Heart and Trauma | | | | | | | **106** |

*Source: CON Application at page 38*

*Note: Assumes that all approved CHS new, relocations, and approved ORs are in their intended locations (F-8832-09, F-7313-05, F-7979-07, F-8091-08, and F-8092-08)*

**Attachment 1**
**Tables 1,2**

Table 3. **CHS Related Entity OR Utilization FY 2009**

| October 1, 2008 - September 30, 2009 | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | NorthCross | Carolina Ctr Specialty Surgery | CSC-Randolph | CMC-Union* | Union Health Srvcs* | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpt | 0 | 4,931 | 14,983 | 2,588 | 1,430 | 1,106 | 0 | 0 | 0 | 1,659 | 0 | 26,697 |
| Outpt | 5,990 | 6,586 | 15,221 | 5,000 | 4,946 | 4,579 | 1,730 | 1,159 | 1,121 | 5,470 | 0 | 51,802 |
| Total | 5,990 | 11,517 | 30,204 | 7,588 | 6,376 | 5,685 | 1,730 | 1,159 | 1,121 | 7,129 | 0 | 78,499 |
| Weighted Surgical Hours | 8,985 | 24,672 | 67,781 | 15,264 | 11,709 | 10,187 | 2,595 | 1,739 | 1,682 | 13,182 | 0 | 157,794 |
| ORs Needed at 1,872 Hrs/Year | 4.8 | 13.2 | 36.2 | 8.2 | 6.3 | 5.4 | 1.4 | 0.9 | 0.9 | 7.0 | 0.0 | 84.3 |
| Approved and Existing ORs** | 4 | 17 | 33 | 12 | 7 | 9 | 4 | 2 | 8 | 6 | 2 | 104 |
| OR Surplus or Deficit (-) | -0.8 | 3.8 | -3.2 | 3.8 | 0.7 | 3.6 | 2.6 | 1.1 | 7.1 | -1.0 | 2.0 | 19.7 |

*Source: 2010 LRAs*

*Note: Inpatient cases do not include C-Sections performed in C-Section rooms and open-heart cases performed in dedicated open heart ORs*

**OR inventory is as it existed during FY 2009 as reflected in the 2010 LRAs except for the two approved operating room at UHS, one from CMC-Union and one new*

***Approved and Existing ORs = Shared + Ambulatory ORs; not included are C-Section rooms, Open-heart ORs, and 1 Inpatient OR at CMC, which was not included because CMC is a Level 1 Trauma Center*

Table 4. **CHS Related Entity OR Utilization FY 2010 Annualized**

| FFY 2010 (Annualized) Calculated based upon October 1, 2009 - March 30, 2010 data reported in the CON Application | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | NorthCross | Carolina Ctr Specialty Surgery | CSC-Randolph | CMC-Union | Union Health Srvcs | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpt | 0 | 5,058 | 14,564 | 3,094 | 1,736 | 1,064 | 0 | 0 | 0 | 1,572 | 0 | 27,088 |
| Outpt | 5,928 | 6,816 | 15,078 | 4,908 | 6,510 | 5,358 | 2,044 | 1,176 | 2,612 | 5,312 | 0 | 55,742 |
| Total | 5,928 | 11,874 | 29,642 | 8,002 | 8,246 | 6,422 | 2,044 | 1,176 | 2,612 | 6,884 | 0 | 82,830 |
| Weighted Surgical Hours | 8,892 | 25,398 | 66,309 | 16,644 | 14,973 | 11,229 | 3,066 | 1,764 | 3,918 | 12,684 | 0 | 164,877 |
| ORs Needed at 1,872 Hrs/Year | 4.8 | 13.6 | 35.4 | 8.9 | 8.0 | 6.0 | 1.6 | 0.9 | 2.1 | 6.8 | 0.0 | 88.1 |
| Approved and Existing ORs* | 4 | 17 | 33 | 16 | 7 | 9 | 2 | 2 | 6 | 6 | 2 | 104 |
| Surplus/Deficit (-) | -0.8 | 3.4 | -2.4 | 7.1 | -1.0 | 3.0 | 0.4 | 1.1 | 3.9 | -0.8 | 2.0 | 15.9 |

*Source: CON Application at pages 39-40*

*Notes: Inpatient cases do not include C-Sections performed in C-Section rooms and open-heart cases performed in dedicated open heart ORs*

*OR inventory is as it existed at time CON Application was filed page 37 of the CON Application (except UHS reflect additional approved OR)*

*Note changes from Table 3 above include 2 ORs have been transferred from CSC-Randolph to CMC-Mercy and 2 ORs have been transferred from NorthCross to CMC-Mercy per Project ID F-8092-08*

**Approved and Existing ORs = Shared + Ambulatory ORs; not included are C-Section rooms, Open-heart ORs, and 1 Inpatient OR at CMC, which was not included because CMC is a Level 1 Trauma Center*

**Attachment 1**
**Tables 3,4**

Table 5. **CHS Related Entity Projected OR Utilization FY 2014 - Project Year 3**

| Project Year 3 October 1, 2013- September 30, 2014 | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | NorthCross | Carolina Ctr Specialty Surgery | CSC-Randolph | CMC-Union | Union Health Srvcs | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpt | 0 | 5,058 | 14,240 | 5,676 | 2,603 | 1,082 | 0 | 0 | 0 | 1,561 | 0 | 30,220 |
| Outpt | 8,060 | 6,816 | 16,184 | 6,931 | 9,195 | 5,954 | 2,012 | 1,658 | 0 | 6,875 | 2,672 | 66,357 |
| Total | 8,060 | 11,874 | 30,424 | 12,607 | 11,798 | 7,036 | 2,012 | 1,658 | 0 | 8,436 | 2,672 | 96,577 |
| Weighted Surgical Hours | 12,090 | 25,398 | 66,996 | 27,425 | 21,602 | 12,177 | 3,018 | 2,487 | 0 | 14,996 | 4,008 | 190,196 |
| ORs Needed at 1,872 Hrs/Year | 6.46 | 13.57 | 35.79 | 14.65 | 11.54 | 6.50 | 1.61 | 1.33 | 0.00 | 8.01 | 2.14 | 101.60 |
| OR Need Based Upon Defined Rounding in SMFP | 6.0 | 14.0 | 36.0 | 15.0 | 12.0 | 7.0 | 2.0 | 1.0 | 0.0 | 8.0 | 2.0 | 103.0 |
| Licensed ORs* | 4 | 17 | 37 | 15 | 10 | 9 | 2 | 2 | 0 | 6 | 2 | 104 |
| Surplus/Deficit (-) | -2.0 | 3.0 | 1.0 | 0.0 | -2.0 | 2.0 | 0.0 | 1.0 | 0.0 | -2.0 | 0.0 | 1.0 |

*Source: CON Application at pages 40-41, 56-57; Exhibit 17*

*Notes: Inpatient cases do not include C-Sections performed in C-Section rooms and open-heart cases performed in dedicated open heart ORs*

*Assumes that all approved CHS new, relocations, and approved ORs are in their intended locations (F-8832-09, F-7313-05, F-7979-07, F-8091-08, and F-8092-08)*

**Licensed ORs = Shared + Ambulatory ORs; not included are C-Section rooms, Open-heart ORs, and 1 Inpatient OR at CMC, which was not included because CMC is a Level 1 Trauma Center*

Table 6. **CHS Related Entity Projected Growth FY 2010 Annualized - FY 2014**

| CON Application | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | NorthCross | Carolina Ctr Specialty Surgery | CMC-Union | Union Health Srvcs | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Aggregate Projected Growth | 36.0% | 0.0% | 2.6% | 57.5% | 43.1% | 9.6% | -1.6% | 41.0% | 22.5% | | 16.6% |
| Four Year Average Annual Projected Growth | 9.0% | 0.0% | 0.7% | 14.4% | 10.8% | 2.4% | -0.4% | 10.2% | 5.6% | | 4.1% |

*Source: Tables 4, 5*

**Attachment 1**
**Tables 5,6**

Table 7. **Gateway Surgery Center Historical OR Utilization**

| Gateway | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Outpatient Surgical Cases | 4,708 | 5,735 | 5,990 | 5,928 | 7.98% | 1.7% |
| % Change | | 21.8% | 4.4% | -1.0% | | |

*Source: CON Application Exhibit 17* 2008 was the end of three year ramp up

Table 8. **Gateway Surgery Center Projected OR Utilization**

| CON Application = 7.98% Growth Rate | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Outpatient Surgical Cases | 6,401 | 6,912 | 7,464 | 8,060 | 25.9% |
| Projected Growth Rate = 7.98% | 7.98% | 7.98% | 7.98% | 7.98% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 9,602 | 10,368 | 11,196 | 12,090 | |
| ORs Needed at 1,872 | 5.13 | 5.54 | 5.98 | 6.46 | |
| Licensed ORs | 4 | 4 | 4 | 4 | |
| Surplus/Deficit (-) | -1.1 | -1.5 | -2.0 | -2.5 | |
| **Alternative Methodology = 1.7% Growth Rate** | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **Aggregate Growth** |
| Outpatient Surgical Cases | 6,027 | 6,127 | 6,230 | 6,334 | 5.1% |
| Projected Growth Rate = 1.7% | 1.7% | 1.7% | 1.7% | 1.7% | |
| Weighted Cases at 1.5 Hrs/Case | 9,040 | 9,191 | 9,345 | 9,501 | |
| ORs Needed at 1,872 | 4.83 | 4.91 | 4.99 | 5.08 | |
| Licensed ORs | 4 | 4 | 4 | 4 | |
| Surplus/Deficit (-) | -0.8 | -0.9 | -1.0 | -1.1 | |

*Source: CON Application Exhibit 17; Table 7*

Table 9. **CMC-NE Historical OR Utilization**

| CMC-NE | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 5,248 | 5,497 | 4,931 | 5,058 | -1.2% | -4.1% |
| % Change | | 4.7% | -10.3% | 2.6% | | |
| Outpt Surgical Cases | 7,509 | 6,536 | 7,746 | 6,816 | -3.2% | 2.1% |
| % Change | | -13.0% | 18.5% | -12.0% | | |

*Source: CON Application Exhibit 17*

*Note: Outpt volume in 2009 reflected as reported in the CON Application. Data is not consistent with annual LRA*

Table 10. **CMC-NE Projected OR Utilization**

| CON Application = 0% Growth Rate | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 5,058 | 5,058 | 5,058 | 5,058 | 0% |
| Weighted Inpt Cases at 3 Hrs/Case | 15,174 | 15,174 | 15,174 | 15,174 | |
| Outpt Surgical Cases | 6,816 | 6,816 | 6,816 | 6,816 | 0% |
| Weighted Outpt Cases at 1.5 Hrs/Case | 10,224 | 10,224 | 10,224 | 10,224 | |
| ORs Needed at 1,872 | 13.6 | 13.6 | 13.6 | 13.6 | |
| Licensed ORs | 17 | 17 | 17 | 17 | |
| Surplus/Deficit (-) | 3.4 | 3.4 | 3.4 | 3.4 | |

*Source: CON Application Exhibit 17; Table 9*

**Attachment 1**
**Tables 7,8,9,10**

Table 11. **CMC Historical OR Utilization**

| CMC | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2005-2010 | CAGR 2006-2010 | CAGR 2007-2010 | CAGR 2008-2010 | AGR 2009-2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 14,329 | 14,787 | 16,361 | 15,067 | 14,983 | 14,564 | 0.3% | -0.4% | -3.8% | -1.7% | -2.8% |
| % Change | | 3.2% | 10.6% | -7.9% | -0.6% | -2.8% | | | | | |
| Outpt Surgical Cases | 14,631 | 14,759 | 12,300 | 13,572 | 15,221 | 15,078 | 0.6% | 0.5% | 7.0% | 5.4% | -0.9% |
| % Change | | 0.9% | -16.7% | 10.3% | 12.2% | -0.9% | | | | | |

*Source: CON Application Exhibit 17*

Table 12. **CMC Projected OR Utilization**

| CON Application = 1.9% Growth Rate Less Volume Shifted to Other Surgical Centers | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|
| Inpt Surgical Cases | 14,574 | 14,269 | 14,240 | -2.3% |
| Weighted Inpt Cases at 3 Hrs/Case | 43,722 | 42,807 | 42,720 | |
| Outpt Surgical Cases | 15,916 | 16,085 | 16,184 | 1.7% |
| Weighted Outpt Cases at 1.5 Hrs/Case | 23,874 | 24,128 | 24,276 | |
| ORs Needed at 1,872 | 36.1 | 35.8 | 35.8 | |
| Approved and Existing ORs* | 37 | 37 | 37 | |
| Surplus/Deficit (-) | 0.9 | 1.2 | 1.2 | |

*Source: CON Application Exhibit 17*

Table 13. **CMC-Mercy Historical OR Utilization**

| CMC-Mercy | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,693 | 2,225 | 2,588 | 3,094 | 22.3% | 17.9% |
| % Change | | 31.4% | 16.3% | 19.6% | | |
| Outpt Surgical Cases | 5,494 | 5,113 | 5,000 | 4,908 | -3.7% | -2.0% |
| % Change | | -6.9% | -2.2% | -1.8% | | |

*Source: CON Application Exhibit 17; 2008 and 2009 LRAs*

Table 14. **CMC-Mercy Projected OR Utilization**

| CON Application | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | | 4,824 | 5,240 | 5,676 | 17.7% |
| % Change | | | 8.6% | 8.3% | |
| Weighted Inpt Cases at 3 Hrs/Case | | 14,472 | 15,720 | 17,028 | |
| Outpt Surgical Cases | | 6,349 | 6,638 | 6,931 | 9.2% |
| % Change | | | 4.6% | 4.4% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | | 9,524 | 9,957 | 10,397 | |
| ORs Needed at 1,872 | | 12.8 | 13.7 | 14.6 | |
| Licensed ORs | | 15 | 15 | 15 | |
| Surplus/Deficit (-) | | 2.2 | 1.3 | 0.4 | |
| **Alternative Methodology = 1.8% Growth Rate Plus Shift from CMC** | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **Aggregate Growth** |
| Inpt Surgical Cases | 3,681 | 4,288 | 4,916 | 5,567 | 29.8% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Inpt Cases at 3 Hrs/Case | 11,042 | 12,864 | 14,748 | 16,700 | |
| Outpt Surgical Cases | 5,376 | 5,853 | 6,443 | 7,053 | 20.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 8,064 | 8,779 | 9,665 | 10,580 | |
| ORs Needed at 1,872 | 10.2 | 11.6 | 13.0 | 14.6 | |
| Licensed ORs | 15 | 15 | 15 | 15 | |
| Surplus/Deficit (-) | 4.8 | 3.4 | 2.0 | 0.4 | |

*Source: CON Application Exhibit 17; Table 13*

**Attachment 1**
**Tables 11,12,13,14**

Table 15. **CMC-Pineville Historical OR Utilization**

| CMC-Pineville | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2007 - 2010 Annualized | CAGR 2008 - 2010 Annualized |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,281 | 1,310 | 1,430 | 1,736 | 10.7% | 15.1% |
| % Change | | 2.3% | 9.2% | 21.4% | | |
| Outpt Surgical Cases | 4,966 | 4,916 | 4,946 | 6,510 | 9.4% | 15.1% |
| % Change | | -1.0% | 0.6% | 31.6% | | |

*Source: CON Application Exhibit 17*

Table 16. **CMC-Pineville Projected OR Utilization**

| CON Application = 10.7% Inpt Growth Rate & 9.4% Outpt Growth Rate | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,921 | 2,126 | 2,353 | 2,603 | 35.5% |
| Projected Growth Rate = 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | |
| Weighted Inpt Cases at 3 Hrs/Case | 5,763 | 6,378 | 7,059 | 7,809 | |
| Outpt Surgical Cases | 7,125 | 7,798 | 8,534 | 9,340 | 31.1% |
| Projected Growth Rate = 9.4% | 9.4% | 9.4% | 9.4% | 9.4% | |
| Cases Shifted to RSC - page 471 | | 145 | 145 | 145 | |
| Outpt Surgical Cases Remaining at CMC-Pineville | 7,125 | 7,653 | 8,389 | 9,195 | 29.1% |
| Weighted Outpt Cases at 1.5 Hrs/Case | 10,688 | 11,697 | 12,801 | 14,010 | |
| ORs Needed at 1,872 | 8.8 | 9.7 | 10.6 | 11.7 | |
| Licensed ORs | 7 | 10 | 10 | 10 | |
| Surplus/Deficit (-) | -1.8 | 0.3 | -0.6 | -1.7 | |
| **Weighted Population Growth Methodology = 1.8% Growth Rate** | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **Aggregate Growth** |
| Inpt Surgical Cases | 1,767 | 1,799 | 1,831 | 1,864 | 5.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Inpt Cases at 3 Hrs/Case | 5,302 | 5,397 | 5,494 | 5,593 | |
| Outpt Surgical Cases | 6,627 | 6,746 | 6,868 | 6,992 | 5.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Cases Shifted to RSC - page 471 | | 145 | 145 | 145 | |
| Outpt Surgical Cases Remaining at CMC-Pineville | 6,627 | 6,601 | 6,723 | 6,847 | 3.3% |
| Weighted Outpt Cases at 1.5 Hrs/Case | 9,941 | 9,902 | 10,084 | 10,270 | |
| ORs Needed at 1,872 | 8.1 | 8.2 | 8.3 | 8.5 | |
| Licensed ORs | 7 | 10 | 10 | 10 | |
| Surplus/Deficit (-) | -1.1 | 1.8 | 1.7 | 1.5 | |

*Source: CON Application Exhibit 17; Table 15*

Table 17. **CMC-University Historical OR Utilization**

| CMC-University | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2007 - 2010 Annualized | CAGR 2008 - 2010 Annualized |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,051 | 1,058 | 1,106 | 1,064 | 0.4% | 0.3% |
| % Change | | 0.7% | 4.5% | -3.8% | | |
| Outpt Surgical Cases | 4,876 | 4,933 | 4,579 | 5,358 | 3.2% | 4.2% |
| % Change | | 1.2% | -7.2% | 17.0% | | |

*Source: CON Application Exhibit 17*

Table 18. **CMC-University Projected OR Utilization**

| CON Application = 0.4% Inpt Growth Rate & 3.2% Outpt Growth Rate | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,068 | 1,073 | 1,077 | 1,082 | 1.2% |
| Projected Growth Rate = 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | |
| Weighted Inpt Cases at 3 Hrs/Case | 3,205 | 3,218 | 3,231 | 3,245 | |
| Outpt Surgical Cases | 5,529 | 5,706 | 5,888 | 6,076 | 9.9% |
| Projected Growth Rate = 3.2% | 3.2% | 3.2% | 3.2% | 3.2% | |
| Cases Shifted to RSC - page 475 | | 122 | 122 | 122 | |
| Outpt Surgical Cases Remaining at CMC-University | 5,529 | 5,584 | 5,766 | 5,954 | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 8,294 | 8,375 | 8,648 | 8,930 | |
| ORs Needed at 1,872 | 6.1 | 6.2 | 6.3 | 6.5 | |
| Licensed ORs | 9 | 9 | 9 | 9 | |
| Surplus/Deficit (-) | 2.9 | 2.8 | 2.7 | 2.5 | |

*Source: CON Application Exhibit 17*

**Attachment 1**
**Tables 15,16,17,18**

Table 19. **Carolinas Center for Specialty Surgery Historical OR Utilization**

| CCSS | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2007 - 2010 Annualized | CAGR 2008 - 2010 Annualized |
|---|---|---|---|---|---|---|
| Outpt Surgical Cases | 717 | 1,182 | 1,159 | 1,176 | 17.9% | -0.3% |
| % Change | | 64.9% | -1.9% | 1.5% | | |

*Source: CON Application Exhibit 17*

2008 was part of initial three year ramp up period - Not "tremendous growth" as stated on page 478

Table 20. **Carolinas Center for Specialty Surgery Projected OR Utilization**

| CON Application = 9% Growth Rate | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Outpt Surgical Cases | 1,281 | 1,396 | 1,522 | 1,658 | 29.4% |
| Projected Growth Rate = 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 1,922 | 2,094 | 2,283 | 2,487 | |
| ORs Needed at 1,872 | 1.0 | 1.1 | 1.2 | 1.3 | |
| Licensed ORs | 2 | 2 | 2 | 2 | |
| Surplus/Deficit (-) | 1.0 | 0.9 | 0.8 | 0.7 | |
| **Weighted Population Growth Methodology = 1.8%** | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **Aggregate Growth** |
| Outpt Surgical Cases | 1,197 | 1,219 | 1,241 | 1,263 | 5.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 1,796 | 1,828 | 1,861 | 1,894 | |
| ORs Needed at 1,872 | 1.0 | 1.0 | 1.0 | 1.0 | |
| Licensed ORs | 2 | 2 | 2 | 2 | |
| Surplus/Deficit (-) | 1.0 | 1.0 | 1.0 | 1.0 | |

*Source: CON Application Exhibit 17; Table 19*

Table 21. **NorthCross Historical OR Utilization**

| NorthCross | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2007 - 2010 Annualized | CAGR 2008 - 2010 Annualized |
|---|---|---|---|---|---|---|
| Outpt Surgical Cases | 2,074 | 2,064 | 1,730 | 2,044 | -0.5% | -0.5% |
| % Change | | -0.5% | -16.2% | 18.2% | | |

*Source: CON Application Exhibit 17*

Table 22. **NorthCross Projected OR Utilization**

| CON Application = 0% Growth Rate | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Outpt Surgical Cases | 2,044 | 2,044 | 2,044 | 2,044 | 0.0% |
| Projected Growth Rate = 0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Cases Shifted to RSC - page 482 | | 32 | 32 | 32 | |
| Outpt Surgical Cases Remaining at NorthCross | 2,044 | 2,012 | 2,012 | 2,012 | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 3,066 | 3,018 | 3,018 | 3,018 | |
| ORs Needed at 1,872 | 1.64 | 1.61 | 1.61 | 1.61 | |
| Licensed ORs | 2 | 2 | 2 | 2 | |
| Surplus/Deficit (-) | 0.4 | 0.4 | 0.4 | 0.4 | |

*Source: CON Application Exhibit 17*

**Attachment 1**
**Tables19,20,21,22**

Table 23. **CMC-Union Historical OR Utilization**

| CMC-Union | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2005-2010 | CAGR 2006-2010 | CAGR 2007-2010 | CAGR 2008-2010 | AGR 2009-2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 1,491 | 1,495 | 1,526 | 1,514 | 1,659 | 1,572 | 1.1% | 1.3% | 1.0% | 1.9% | -5.2% |
| % Change | | 0.3% | 2.1% | -0.8% | 9.6% | -5.2% | | | | | |
| Outpt Surgical Cases | 5,048 | 5,388 | 5,884 | 5,796 | 5,470 | 5,312 | 1.0% | -0.4% | -3.4% | -4.3% | -2.9% |
| % Change | | 6.7% | 9.2% | -1.5% | -5.6% | -2.9% | | | | | |

*Source: CON Application Exhibit 17*

Table 24. **CMC-Union Projected OR Utilization**

| CON Application = 0.51% Inpt Growth Rate & 4.71% Outpt Growth Rate | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Inpt Surgical Cases | | 1,545 | 1,553 | 1,561 | 1.0% |
| Projected Growth Rate = 0.51% | | 0.51% | 0.51% | 0.51% | |
| Weighted Inpt Cases at 3 Hrs/Case | | 4,635 | 4,659 | 4,683 | |
| Outpt Surgical Cases | | 6,202 | 6,531 | 6,875 | 10.9% |
| Projected Growth Rate = 4.71% | | 4.71% | 4.71% | 4.71% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | | 9,303 | 9,797 | 10,313 | |
| ORs Needed at 1,872 | | 7.4 | 7.7 | 8.0 | |
| Licensed ORs | | 6 | 6 | 6 | |
| Surplus/Deficit (-) | | -1.4 | -1.7 | -2.0 | |
| **Alternative Methodology = 1.8% Weighted Population Growth Inpatient; 0% Outpatient Growth Rate** | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **Aggregate Growth** |
| Inpt Surgical Cases | 1,600 | 1,629 | 1,658 | 1,688 | 5.5% |
| Projected Growth Rate = 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | |
| Weighted Inpt Cases at 3 Hrs/Case | 4,801 | 4,887 | 4,975 | 5,065 | |
| Outpt Surgical Cases | 5,312 | 5,312 | 5,312 | 5,312 | 0.0% |
| Projected Growth Rate = 0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Outpt Volume shifted to UHS page 499 | 769 | 769 | 769 | 769 | |
| Adjusted Outpt Volume | 4,543 | 4,543 | 4,543 | 4,543 | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 6,815 | 6,815 | 6,815 | 6,815 | |
| ORs Needed at 1,872 | 6.2 | 6.3 | 6.3 | 6.3 | |
| Licensed ORs | 6 | 6 | 6 | 6 | |
| Surplus/Deficit (-) | -0.2 | -0.3 | -0.3 | -0.3 | |

*Source: CON Application Exhibit 17; Table 23*

Table 25. **UHS Projected OR Utilization**

| CON Application | FY 2012 | FY 2013 | FY 2014 | Aggregate Growth |
|---|---|---|---|---|
| Outpt Surgical Cases | 2,233 | 2,448 | 2,672 | 19.7% |
| Projected Growth Rate | | 9.63% | 9.15% | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 3,350 | 3,672 | 4,008 | |
| ORs Needed at 1,872 | 1.79 | 1.96 | 2.14 | |
| Licensed ORs | 2 | 2 | 2 | |
| Surplus/Deficit (-) | 0.2 | 0.0 | -0.1 | |

*Source: CON Application Exhibit 17*

Table 26. **SouthPark Historical OR Utilization**

| SouthPark | 2007 | 2008 | 2009 | Oct09 - Mar10 | 2010 Annualized | CAGR 2007-2010 | CAGR 2008-2010 |
|---|---|---|---|---|---|---|---|
| Outpt Surgical Cases | 8,429 | 9,664 | 8,730 | 5,215 | 10,430 | 7.36% | 3.9% |
| % Change | | 14.7% | -9.7% | | 19.5% | | |

*Source: LRAs; CON Application Exhibit 17*

Table 27. **SouthPark Projected OR Utilization**

| CON Application = Growth Rate = 7.36% | 2011 | 2012 | 2013 | 2014 | Aggregate Growth |
|---|---|---|---|---|---|
| Outpt Surgical Cases | 11,198 | 12,022 | 12,907 | 13,857 | 23.7% |
| Projected Growth Rate = 7.36% CAGR 2007-2010 Annualized | 7.36% | 7.36% | 7.36% | 7.36% | |
| Cases Shifted to RSC page 486 | | 1,709 | 1,709 | 1,709 | |
| Outpt Surgical Cases Remaining at SouthPark | 11,198 | 10,313 | 11,198 | 12,148 | |
| Weighted Outpt Cases at 1.5 Hrs/Case | 16,796 | 15,469 | 16,796 | 18,221 | |
| ORs Needed at 1,872 | 9.0 | 8.3 | 9.0 | 9.7 | |
| Licensed ORs | 6 | 6 | 6 | 6 | |
| Surplus/Deficit (-) | -3.0 | -2.3 | -3.0 | -3.7 | |

*Source: CON Application Exhibit 17*

**Attachment 1**
**Tables 26,27**

Table 28. **Randolph Surgery Center Projected Utilization**

| CON Application = 2.5% Growth Rate | FY 2012 | FY 2013 | FY 2014 |
|---|---|---|---|
| ENT Ambulatory Surgical Cases | 2,990 | 3,064 | 3,140 |
| Projected Growth Rate | | 2.5% | 2.5% |
| Weighted Cases at 1.5 Hrs/Case | 4,485 | 4,596 | 4,710 |
| ORs Needed at 1,872 Hrs/Year | 2.40 | 2.46 | 2.52 |
| Proposed ORs | 2 | 2 | 2 |
| Surplus/Deficit (-) | -0.4 | -0.5 | -0.5 |
| **Alternative Methodology = 1.8% Growth Rate** | **FY 2012** | **FY 2013** | **FY 2014** |
| ENT Ambulatory Surgical Cases | 2,990 | 3,044 | 3,099 |
| Projected Growth Rate = 1.8% Weighted Service Area Population Growth Rate | 1.8% | 1.8% | 1.8% |
| Weighted Cases at 1.5 Hrs/Case | 4,485 | 4,566 | 4,648 |
| ORs Needed at 1,872 Hrs/Year | 2.40 | 2.44 | 2.48 |
| ORs Needed Based Upon SMFP Rounding | 2 | 2 | 2 |
| Proposed ORs | 2 | 2 | 2 |
| Surplus/Deficit (-) | 0 | 0 | 0 |

*Source: CON Application at page 106*

Table 29. **Projected Surgical Cases Shifted to Randolph Surgery Center Project Year 1 (FY 2012)**

| Surgical Facility | Cases | Percent of Total |
|---|---|---|
| SouthPark | 1,709 | 59.9% |
| CMC | 515 | 18.0% |
| CMC-Pineville | 145 | 5.1% |
| PHH | 122 | 4.3% |
| CMC-University | 122 | 4.3% |
| PHM | 115 | 4.0% |
| SDSC Ballantyne | 57 | 2.0% |
| TPH | 38 | 1.3% |
| NorthCross | 32 | 1.1% |
| Total | 2,855 | 100.0% |
| Shift from CHS | 814 | 28.5% |
| Shift from Novant | 2,041 | 71.5% |
| Total | 2,855 | 100.0% |

*Source: CON Application at page 103*

**Attachment 1**
**Tables 28,29**

Table 30. **CHS Projected Related Entity OR Utilization FY 2014 - Project Year 3**

| CON Application | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | NorthCross | Carolina Ctr Specialty Surgery | CMC-Union | Union Health Srvcs | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpt | 0 | 5,058 | 14,240 | 5,676 | 2,603 | 1,082 | 0 | 0 | 1,561 | 0 | 30,220 |
| Outpt | 8,060 | 6,816 | 16,184 | 6,931 | 9,195 | 5,954 | 2,012 | 1,658 | 6,875 | 2,672 | 66,357 |
| Total | 8,060 | 11,874 | 30,424 | 12,607 | 11,798 | 7,035 | 2,012 | 1,658 | 8,436 | 2,672 | 96,576 |
| Weighted Surgical Hours | 12,090 | 25,398 | 66,996 | 27,425 | 21,602 | 12,175 | 3,018 | 2,487 | 14,996 | 4,008 | 190,194 |
| ORs Needed at 1,872 Hrs/Year | 6.46 | 13.57 | 35.79 | 14.65 | 11.539 | 6.504 | 1.61 | 1.33 | 8.01 | 2.14 | 101.6 |
| ORs Needed Based upon Rounding in SMFP | 6 | 14 | 36 | 15 | 12 | 7 | 2 | 1 | 8 | 2 | 103 |
| Approved and Existing ORs | 4 | 17 | 37 | 15 | 10 | 9 | 2 | 2 | 6 | 2 | 104 |
| Surplus/Deficit (-) | -2.0 | 3.0 | 1.0 | 0.0 | -2.0 | 2.0 | 0.0 | 1.0 | -2.0 | 0.0 | 1 |

*Source: Tables 8, 10, 12, 14, 16, 18, 20, 22, 24, 25 ; CON Application page 420*

Table 31. **ALTERNATIVE CHS Projected Related Entity OR Utilization FY 2014 - Project Year 3**

| Alternative Methodology | Gateway | CMC-NE | CMC | CMC-Mercy | CMC-Pineville | CMC-University | NorthCross | Carolina Ctr Specialty Surgery | CMC-Union | Union Health Srvcs | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Inpt | 0 | 5,058 | 14,240 | 5,567 | 1,864 | 1,082 | 0 | 0 | 1,688 | 0 | 29,499 |
| Outpt | 6,334 | 6,816 | 16,184 | 7,053 | 6,992 | 5,954 | 2,012 | 1,263 | 4,543 | 2,672 | 59,822 |
| Total | 6,334 | 11,874 | 30,424 | 12,620 | 8,856 | 7,035 | 2,012 | 1,263 | 6,231 | 2,672 | 89,321 |
| Weighted Surgical Hours | 9,501 | 25,398 | 66,996 | 27,280 | 16,081 | 12,175 | 3,018 | 1,894 | 11,879 | 4,008 | 178,230 |
| ORs Needed at 1,872 Hrs/Year | 5.08 | 13.57 | 35.79 | 14.57 | 8.6 | 6.50 | 1.61 | 1.01 | 6.35 | 2.14 | 95.21 |
| ORs Needed Based upon Rounding in SMFP | 5 | 14 | 35 | 15 | 9 | 7 | 2 | 1 | 6 | 2 | 96 |
| Approved and Existing ORs | 4 | 17 | 37 | 15 | 10 | 9 | 2 | 2 | 6 | 2 | 104 |
| Surplus/Deficit (-) | -1.0 | 3.0 | 2.0 | 0.0 | 1.0 | 2.0 | 0.0 | 1.0 | 0.0 | 0.0 | 8.0 |

*Source: Tables 8, 10, 12, 14, 16, 18, 20, 22, 24, 25*

Table 32. **Total Projected Surgical Volumes - RMC and All Related Entities OR Utilization FY 2014 - Project Year 3**

| CON Application | CHS System-wide | RSC | SouthPark | Total |
|---|---|---|---|---|
| Inpt | 30,220 | 0 | 0 | 30,220 |
| Outpt | 66,357 | 3,140 | 12,148 | 81,644 |
| Total | 96,576 | 3,140 | 12,148 | 111,864 |
| Weighted Surgical Hours | 190,194 | 4,710 | 18,221 | 213,125 |
| ORs Needed at 1,872 Hrs/Year | 101.60 | 2.52 | 9.73 | 113.85 |
| Approved and Existing ORs | 104 | 2 | 6 | 112 |
| Surplus/Deficit (-) | 2.4 | -0.5 | -3.7 | -1.8 |
| **Methodology Using Reasonable Growth Rate Assumptions** | **CHS System-wide** | **RSC** | **SouthPark** | **Total** |
| Inpt | 29,499 | 0 | 0 | 29,499 |
| Outpt | 59,822 | 3,099 | 12,148 | 75,068 |
| Total | 89,321 | 3,099 | 12,148 | 104,567 |
| Weighted Surgical Hours | 178,230 | 4,648 | 18,221 | 201,099 |
| ORs Needed at 1,872 Hrs/Year | 95.21 | 2.48 | 9.73 | 107.42 |
| Approved and Existing ORs | 104 | 2 | 6 | 112 |
| Surplus/Deficit (-) | 9 | 0 | -4 | 5 |

*Source: Tables 27, 28, 30, 31*

**Attachment 1**
**Tables 30,31,32**

Table 33. **Historical ENT Outpatient Volumes - Mecklenburg, Union, Cabarrus**

| Surgical Provider | 2005 | 2006 | 2007 | 2008 | 2009 | CAGR 2005-2009 | CAGR 2006-2009 | CAGR 2007-2009 | CAGR 2008-2009 |
|---|---|---|---|---|---|---|---|---|---|
| Carolinas Surgery Center-Randolph | 0 | 0 | 0 | 0 | 0 | | | | |
| Charlotte Surgery Center | 93 | 155 | 125 | 30 | 24 | | | | |
| Gateway Surgery Center | 0 | 744 | 1,930 | 2,008 | 2,205 | | | | |
| CMC-Downtown | 1,401 | 1,265 | 1,355 | 1,378 | 1,386 | | | | |
| CMC-Mercy | 10 | 3 | 16 | 1 | 0 | | | | |
| CMC-Pineville | 1,017 | 971 | 935 | 815 | 820 | | | | |
| CMC-Union | 804 | 787 | 874 | 712 | 570 | | | | |
| CMC-University | 606 | 736 | 585 | 530 | 542 | | | | |
| CMC-Northcross | 658 | 765 | 844 | 828 | 753 | | | | |
| CMC-NorthEast | 2,450 | 1,571 | 360 | 205 | 231 | | | | |
| Carolinas Center for Specialty Surgery | 0 | 0 | 0 | 0 | 0 | | | | |
| Presbyterian SDSC-Downtown | 230 | 253 | 67 | 0 | 0 | | | | |
| Presbyterian SDSC-Ballantyne | 0 | 0 | 17 | 88 | 78 | | | | |
| Presbyterian SDSC-Monroe | 0 | 0 | 0 | 0 | 33 | | | | |
| Presbyterian Hospital Huntersville | 200 | 286 | 451 | 535 | 518 | | | | |
| Presbyterian Hospital Matthews | 1,457 | 1,356 | 1,200 | 813 | 681 | | | | |
| Presbyterian Hospital Downtown | 2,212 | 853 | 1,241 | 977 | 940 | | | | |
| SouthPark Surgery Center | 610 | 2,245 | 3,336 | 4,024 | 4,068 | | | | |
| Total Outpatient ENT | 11,748 | 11,990 | 13,336 | 12,944 | 12,849 | | | | |
| **Annual Growth** | | 2.1% | 11.2% | -2.9% | -0.7% | 2.4% | 2.5% | -1.8% | -0.7% |

*Source: 2006-2010 Annual LRAs*

**Attachment 1**
**Table 33**

Table 34. **Population Less Than Age 17 2009-2015**

| County | 2009 | 2015 | CAGR | Percent of RSC Total Patient Origin | Percent of RSC Primary Service Area Patient Origin | Weighted PSA CAGR |
|---|---|---|---|---|---|---|
| Cabarrus | 45,455 | 53,019 | 2.6% | 3.2% | 4.0% | 0.1% |
| Mecklenburg | 227,687 | 250,919 | 1.6% | 60.3% | 76.0% | 1.2% |
| Union | 53,094 | 57,531 | 1.3% | 15.8% | 19.9% | 0.3% |
| Total | 326,236 | 361,469 | 1.7% | 79.3% | 100.0% | 1.6% |

*Source: RSC CON Application Exhibits 36, 37; Pages 643-644*

Table 35. **Total Population 2009-2015**

| County | 2009 | 2015 | CAGR | Percent of RSC Total Patient Origin | Percent of RSC Primary Service Area Patient Origin | Weighted PSA CAGR |
|---|---|---|---|---|---|---|
| Cabarrus | 174,294 | 203,942 | 2.7% | 3.2% | 4.0% | 0.1% |
| Mecklenburg | 894,445 | 984,711 | 1.6% | 60.3% | 76.0% | 1.2% |
| Union | 196,359 | 225,669 | 2.3% | 15.8% | 19.9% | 0.5% |
| Total | 1,265,098 | 1,414,322 | 1.9% | 79.3% | 100.0% | 1.8% |

*Source: RSC CON Application Exhibits 333, 34, 35; Pages 635-642*

**Attachment 1**
**Tables 34,35**

Table 36. **Surgical Volume Shifted By Surgeon**

| Surgeon | Historical Volume in Letter of Support - Outpatient Cases | Volume Shifted in Letter of Support - Outpatient Cases - Yr 1 | Percent of Historical Outpt Cases Shifted | Historical Volume Exhibit 41 - Surgical Cases | Volume Shifted Exhibit 44 - "Surgical" Cases - Yr 1 | Percent of Historical Surgical Cases Shifted |
|---|---|---|---|---|---|---|
| John Blumer | 940 | 290 | 30.9% | 511 | 290 | 56.8% |
| Stephen Clyne | 695 | 170 | 24.5% | 297 | 170 | 57.2% |
| Kenneth Compton | 1,116 | 105 | 9.4% | 220 | 105 | 47.7% |
| Ronald Dennis | 703 | 110 | 15.6% | 270 | 110 | 40.7% |
| Michael Falcone | 164 | 50 | 30.5% | 164 | 50 | 30.5% |
| Brian Gibson | 452 | 160 | 35.4% | 259 | 160 | 61.8% |
| Steven Gold | 583 | 110 | 18.9% | 260 | 110 | 42.3% |
| Trevor Goldberg | 446 | 150 | 33.6% | 271 | 150 | 55.4% |
| Steven Heavner | 799 | 110 | 13.8% | 153 | 110 | 71.9% |
| Hunter Hoover | 469 | 85 | 18.1% | 152 | 85 | 55.9% |
| Darrell Klotz | 1,261 | 120 | 9.5% | 273 | 120 | 44.0% |
| Hugh Lovejoy | 1,348 | 50 | 3.7% | 381 | 50 | 13.1% |
| Eric Mair | 1,086 | 240 | 22.1% | 656 | 240 | 36.6% |
| Michael Mallonee | 663 | 110 | 16.6% | 354 | 110 | 31.1% |
| Michael Miltich | 620 | 110 | 17.7% | 265 | 110 | 41.5% |
| Johnathan Moss | 0 | 0 | NA | 0 | 135 | NA |
| Sajeev Puri | 655 | 160 | 24.4% | 406 | 160 | 39.4% |
| Todd Reulbach | 1,241 | 50 | 4.0% | 357 | 50 | 14.0% |
| William Roberts | 760 | 75 | 9.9% | 191 | 75 | 39.3% |
| Michael Sicard | 926 | 250 | 27.0% | 518 | 250 | 48.3% |
| Robert Silver | 776 | 165 | 21.3% | 403 | 165 | 40.9% |
| Christopher Tebbit | 631 | 135 | 21.4% | 120 | 135 | 112.5% |
| Mark Weigel | 575 | 50 | 8.7% | 173 | 50 | 28.9% |
| Total | 16,909 | 2,855 | 16.9% | 6,654 | 2,990 | 44.9% |

*Source: RSC CON Application, Exhibits 21, 41, 44*

**Attachment 1**
**Table 36**

Table 37. **Surgical Volume Shifted By Surgeon**

| **Gateway** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
|---|---|---|---|---|---|---|
| Outpatient Surgical Cases | 4,708 | 5,735 | 5,990 | 5,928 | 7.98% | 1.7% |
| % Change | | 21.8% | 4.4% | -1.0% | | |
| **CMC-NE** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Inpt Surgical Cases | 5,248 | 5,497 | 4,931 | 5,058 | -1.2% | -4.1% |
| % Change | | 4.7% | -10.3% | 2.6% | | |
| Outpt Surgical Cases | 7,509 | 6,536 | 7,746 | 6,816 | -3.2% | 2.1% |
| % Change | | -13.0% | 18.5% | -12.0% | | |
| **CMC** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Inpt Surgical Cases | 16,361 | 15,067 | 14,983 | 14,564 | -3.8% | -1.7% |
| % Change | | -7.9% | -0.6% | -2.8% | | |
| Outpt Surgical Cases | 12,300 | 13,572 | 15,221 | 15,078 | 7.0% | 5.4% |
| % Change | | 10.3% | 12.2% | -0.9% | | |
| **CMC-Mercy** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Inpt Surgical Cases | 1,693 | 2,225 | 2,588 | 3,094 | 22.3% | 17.9% |
| % Change | | 31.4% | 16.3% | 19.6% | | |
| Outpt Surgical Cases | 5,494 | 5,113 | 5,000 | 4,908 | -3.7% | -2.0% |
| % Change | | -6.9% | -2.2% | -1.8% | | |
| **CMC-Pineville** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Inpt Surgical Cases | 1,281 | 1,310 | 1,430 | 1,736 | 10.7% | 15.1% |
| % Change | | 2.3% | 9.2% | 21.4% | | |
| Outpt Surgical Cases | 4,966 | 4,916 | 4,946 | 6,510 | 9.4% | 15.1% |
| % Change | | -1.0% | 0.6% | 31.6% | | |
| **CMC-University** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Inpt Surgical Cases | 1,051 | 1,058 | 1,106 | 1,064 | 0.4% | 0.3% |
| % Change | | 0.7% | 4.5% | -3.8% | | |
| Outpt Surgical Cases | 4,876 | 4,933 | 4,579 | 5,358 | 3.2% | 4.2% |
| % Change | | 1.2% | -7.2% | 17.0% | | |
| **CCSS** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Outpt Surgical Cases | 717 | 1,182 | 1,159 | 1,176 | 17.9% | -0.3% |
| % Change | | 64.9% | -1.9% | 1.5% | | |
| **NorthCross** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Outpt Surgical Cases | 2,074 | 2,064 | 1,730 | 2,044 | -0.5% | -0.5% |
| % Change | | -0.5% | -16.2% | 18.2% | | |
| **CMC-Union** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Inpt Surgical Cases | 1,526 | 1,514 | 1,659 | 1,572 | 1.0% | 1.9% |
| % Change | | -0.8% | 9.6% | -5.2% | | |
| Outpt Surgical Cases | 5,884 | 5,796 | 5,470 | 5,312 | -3.4% | -4.3% |
| % Change | | -1.5% | -5.6% | -2.9% | | |
| **Total CHS System-wide** | **FY 2007** | **FY 2008** | **FY 2009** | **FY 2010 Annualized** | **CAGR 2007-2010** | **CAGR 2008-2010** |
| Inpt Surgical Cases | 27,160 | 26,671 | 26,697 | 27,088 | -0.1% | 0.8% |
| % Change | | -1.8% | 0.1% | 1.5% | | |
| Outpt Surgical Cases | 48,528 | 49,847 | 51,841 | 53,130 | 3.1% | 3.2% |
| % Change | | 2.7% | 4.0% | 2.5% | | |
| Total Surgery | 75,688 | 76,518 | 78,538 | 80,218 | 2.0% | 2.4% |
| % Change | | 1.1% | 2.6% | 2.1% | | |

*Note: CMC-NE Outpt volume in 2009 reflected as reported in the CON Application. Data is not consistent with annual LRA*

*Source: Tables 7, 9, 11, 13, 15, 17, 19, 21, 23*

**Attachment 1**
**Table 37**

Table 38. **Projected CHS OR Need Systemwide - Based Upon CAGR from 2008-2010**

| Total CHS Systemwide. Option One | FY 2007 | FY 2008 | FY 2009 | FY 2010 Annualized | CAGR 2008-2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 27,160 | 26,671 | 26,697 | 27,088 | 0.8% | 27,299 | 27,512 | 27,726 | 27,942 |
| % Change | | -1.8% | 0.1% | 1.5% | | | | | |
| Outpt Surgical Cases | 48,528 | 49,847 | 51,841 | 53,130 | 3.2% | 54,852 | 56,629 | 58,464 | 60,359 |
| % Change | | 2.7% | 4.0% | 2.5% | | | | | |
| Total Surgery | 75,688 | 76,518 | 78,538 | 80,218 | 2.4% | | | | |
| % Change | | 1.1% | 2.6% | 2.1% | | | | | |
| Weighted Surgical Hours | | | | | | 164,174 | 167,478 | 170,874 | 174,363 |
| ORs Needed at 1872 | | | | | | 87.7 | 89.5 | 91.3 | 93.1 |
| Current ORs | | | | | | 104 | 104 | 104 | 104 |
| Surplus/Deficit (-) | | | | | | 16.3 | 14.5 | 12.7 | 10.9 |

*Source: Table 37*

Table 39. **Projected CHS OR Need Systemwide - Based Upon RSC Population Growth Methodology**

| Total CHS Systemwide. Option Two | FY 2010 Annualized | Population Growth Rate | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---|---|---|---|---|---|---|
| Inpt Surgical Cases | 27,088 | 1.9% | 27,603 | 28,127 | 28,662 | 29,206 |
| Outpt Surgical Cases | 53,130 | 1.9% | 54,139 | 55,168 | 56,216 | 57,284 |
| Total Surgery | 80,218 | | | | | |
| Weighted Surgical Hours | | | 164,017 | 167,134 | 170,309 | 173,545 |
| ORs Needed at 1872 | | | 87.6 | 89.3 | 91.0 | 92.7 |
| Current ORs | | | 104 | 104 | 104 | 104 |
| Surplus/Deficit (-) | | | 16.4 | 14.7 | 13.0 | 11.3 |

*Source: Table 37; RSC CON Application page 105*

Table 40. **Projected RSC and Related Entities - CHS based upon 2008-2010 CAGR**

| CON Application | CHS System-wide | RSC | SouthPark | Total |
|---|---|---|---|---|
| Inpt | 27,942 | 0 | 0 | 27,942 |
| Outpt | 60,359 | 3,140 | 12,148 | 75,646 |
| Total | 88,301 | 3,140 | 12,148 | 103,588 |
| Weighted Surgical Hours | 174,363 | 4,710 | 18,221 | 197,295 |
| ORs Needed at 1,872 Hrs/Year | 93.1 | 2.5 | 9.7 | 105.4 |
| Approved and Existing ORs | 104 | 2 | 6 | 112 |
| Surplus/Deficit (-) | 10.9 | -0.5 | -3.7 | 6.6 |

*Source: Tables 27, 28, 38*

**Attachment 1**
**Tables 38,39,40**