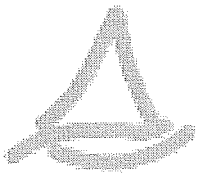
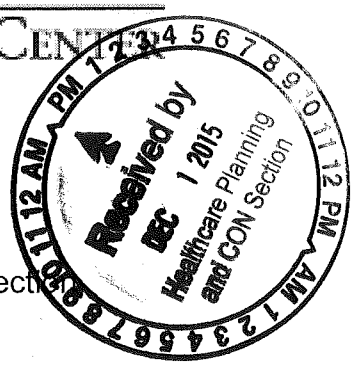


LAKE NORMAN
REGIONAL MEDICAL CENTER



December 1, 2015

Ms. Martha Frisone
Assistant Chief, Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
2704 Mail Center Service
Raleigh, NC 27699-2704

RE: Comments regarding #F-011110-15 Novant Health Huntersville Medical Center

Dear Ms. Frisone:

On behalf of Mooresville Hospital Management Associates, LLC d/b/a Lake Norman Regional Medical Center (LNRMC), I am submitting comments on the Certificate of Need application filed by The Presbyterian Hospital d/b/a Novant Health Huntersville Medical Center (NHHMC) to relocate 48 acute care beds and one operating room (OR) from Novant Health Presbyterian Medical Center (NHPMC) to NHHMC.

LNRMC is located approximately 12 miles from NHHMC and has historically served patients primarily from Iredell, Mecklenburg, Lincoln, Catawba and Rowan counties. As an Iredell County-based provider, we are currently fulfilling our mission to provide comprehensive medical care combined with exceptional patient service to residents of Iredell County and surrounding communities. Partnering with physicians and other providers, we have been successful in providing Iredell residents with local access to excellent healthcare services. Because of our commitment to serving the best interests of citizens in this area, and in support of the State's Certificate of Need and health planning objectives, we feel compelled to express our concerns regarding the costly and unnecessarily duplicative plans described in the NHHMC application.

We thank you for the opportunity to submit these comments. We recognize that your decision will be based upon the State's CON objectives. Particular focus is on the need to provide residents with access to quality care, without unnecessary and costly duplication of services. Any existing or new health service provider must accurately assess local needs and services, and should develop a plan that represents the least costly or most effective alternative. NHHMC's application fails on all accounts.

Sincerely,

Steve Midkiff

Stephen L. Midkiff
Chief Executive Officer

LAKE NORMAN
REGIONAL MEDICAL CENTER

COMMENTS ABOUT CON PROJECT ID# F-011110-15
NOVANT HEALTH HUNTERSVILLE MEDICAL CENTER

SUBMITTED BY LAKE NORMAN REGIONAL MEDICAL CENTER
DECEMBER 1, 2015

On October 15, 2015, NHHMC submitted a Certificate of Need (CON) application to relocate 48 acute care beds and one operating room (OR) from NHPMC to NHHMC. These comments demonstrate the various reasons why the application is not conforming to the CON Review Criteria and should therefore not be approved. Specifically, the CON Section, in making the decision, should consider several key issues. These include, but are not limited to the following CON Review Criteria:

(1) The extent to which NHHMC's application is consistent with applicable policies and need determinations in the State Medical Facilities Plan.

(3) The extent to which NHHMC's application adequately demonstrates the need it has for the proposed project.

(3a) The extent to which the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements.

(4) The extent to which NHHMC proposes the least costly or most effective alternative.

(5) The extent to which NHHMC demonstrates availability of financial funding and financial feasibility of the project.

(6) The effect that the proposed site would have on duplication of health services.

(7) The extent to which NHHMC demonstrates the availability of health manpower resources for the project.

(8) The extent to which NHHMC demonstrates the availability of ancillary and support services.

(12) The extent to which NHHMC demonstrates the construction cost will not unduly increase the cost of providing health services.

(13a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved.

(13c) The extent to which underserved populations (specifically low income persons) will have decreased access to healthcare services.

(18a) The extent to which the proposed project will not have a positive impact upon cost effectiveness and access to the services proposed.

This document provides evidence of how the NHHMC application is not conforming to the CON Review Criteria, and how Novant's proposal is not the best alternative for the people of Mecklenburg County and the surrounding region.

CON Review Criteria

(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.

Because NHHMC proposes to construct space to replace 48 existing acute care beds currently located at NHPMC, Policy AC-5 is applicable to the review. Policy AC-5: Replacement of Acute Care Bed Capacity states

"Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care beds in the applicant's hospital in relation to the utilization targets found below. In determining utilization of acute care beds, only acute care bed 'days of care' shall be counted. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application.

Facility Average Daily Census	*Target Occupancy of Licensed Acute Care Beds (Percent)*
1 – 99	*66.7%*
100 – 200	*71.4%*
Greater than 200	*75.2%*

As shown on page 89 of the application, NHHMC's projected average daily census (ADC) is 94.5 patients during the third operating year of the project. Thus, because the ADC for the existing and proposed facility is less than 99 patients, the target occupancy rate for NHHMC is 66.7%.

As described in detail later in this document, NHHMC did not adequately demonstrate that projected utilization of the 48 relocated acute care beds is based on reasonable assumptions. Therefore, the application is not conforming to this Criterion. See Criterion (3) for additional discussion.

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

Need to Relocate Acute Care Beds

NHHMC has recently expanded its acute care bed capacity 34% via development of 15 additional acute care beds in September 2012[1] and 16 additional acute care beds during 2015[2]. Based on most current 12-month days of care (August 2014-July 2015), NHHMC's occupancy rate is 72.5% (24,090 acute days of care/ 365 / 91 licensed beds). NHHMC now desires to expand its licensed bed capacity by an additional 52.7% via relocation of 48 acute care beds from NHPMC to NHHMC.

To project overall acute care utilization, NHHMC applied its historical average annual growth rate (August 2010-July 2015) for inpatient admissions (5.1%). However, much of the growth achieved during this time period must be attributed to the development of 15 additional acute care beds in September 2012, and the 16 additional acute care beds during 2015. The following table highlights the time period when the additional beds became operational.

[1] CON Project ID F-8130-08 add 15 acute care beds – licensed in September 2012
[2] CON Project ID F-10214-13 add 16 acute care beds – 10 licensed in May 2015; 6 licensed in September 2015

Novant Health Huntersville Medical Center
Acute Care Utilization

	Aug 10-Jul 11	Aug 11-Jul 12	Aug 12-Jul 13	Aug 13-Jul 14	Aug 14-Jul 15	*4-Yr CAGR*
Inpatient Admissions	5,549	5,596	5,976	6,380	6,754	*5.0%*
Inpatient DOC	20,232	19,785	21,931	23,499	24,090	*4.5%*

Source: NHHMC CON Application, pages 88

The development of additional acute care beds during August 2012 – July 2015 provided immediate relief for acute care capacity constraints, therefore the corresponding growth was achieved by decompression and cannot be expected to endure for a long period of time, i.e. the seven years between now and proposed NHHMC project completion.

Furthermore, based on data provided in NHHMC's CON application, overall acute days of care increased only 2.5% during the most recent 12 months (August 2014-July 2015); however, NHHMC projects that acute days of care will increase by a much greater rate for each of the next seven years. Please refer to the following table.

Novant Health Huntersville Medical Center
Overall Acute Days of Care

	Actual	Projected						
	Aug 14-Jul 15	Aug 15-Jul 16	Aug 16-Jul 17	Aug 17-Jul 18	Aug 18-Jul 19	Aug 19 Jul 20	Aug 20 - Jul 21	Aug 21 - Jul 22
Inpatient DOC	24,090	25,647	26,945	28,310	29,744	31,250	32,833	34,495
Annual Growth	2.5%	6.5%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Occupancy	*72.5%*	*77.2%*	*81.1%*	*85.2%*	*89.5%*	*61.6%*	*64.7%*	*68.0%*

Source: NHHMC CON Application, pages 88-89, Exhibit 3 Table 3

NHHMC failed to provide sufficient rationale to justify its ability to sustain a 5.1% growth rate for each of the next seven years. The proposed growth rate far exceeds population growth rate for the NHHMC service area described on page 67 of only 1.9% from 2015-2020. Additionally, a review of historical acute care utilization for Mecklenburg County hospitals indicates an entirely opposite utilization trend.

Mecklenburg County Acute Care Days

	2010	2011	2012	2013	2014	*4-YR CAGR*
CMC Total	328,810	346,410	344,089	352,853	353,033	*1.8%*
Presbyterian Hospital Total	216,939	208,558	200,835	198,782	187,745	*-3.5%*
Mecklenburg County Hospital Total	545,749	554,968	544,924	551,635	540,778	*-0.2%*

Source: 2012-2015 State Medical Facilities Plan, Proposed 2016 SMFP

As illustrated in the previous table, Presbyterian Hospital facilities experienced a combined annual decrease of 3.5% during the last four years. Overall, Mecklenburg County hospital facilities experienced a combined annual decrease of 0.2% during the last four years. NHHMC failed to provide sufficient rationale to support the reasonableness of a sustained 5.1% growth rate for each of the next seven years, a rate which is inconsistent with local population growth and historical acute care utilization for Mecklenburg County hospitals.

In summary, NHHMC did not adequately demonstrate that projected utilization of the 48 relocated acute care beds is based on reasonable assumptions. Therefore, NHHMC overestimates the number of persons to be served and consequently does not adequately demonstrate the need to relocated 48 acute care beds from NHPMC to NHHMC.

Need to Develop Two Additional ICU Beds

As described on page 90 of the CON application, the proposed two additional ICU beds are a subset of the 48 acute care beds projected as needed at NHHMC. NHHMC projects future ICU patient days by applying the historical percent of total acute care days which were ICU days (6.4%) to projected acute days of care. As described previously in this document, NHHMC did not adequately demonstrate that projected utilization of the 48 relocated acute care beds is based on reasonable assumptions. Therefore, by extension, NHHMC did not adequately demonstrate that projected utilization of the two ICU beds is based on reasonable assumptions.

Need to Relocate One Operating Room

NHHMC failed to adequately demonstrate the need to relocate one operating room from NHPMC to NHHMC. Despite identifying several qualitative factors on page 81 of the CON application, there is inadequate quantitative need to substantiate development of an additional operating room at NHHMC at this time. The following table summarizes historical utilization of surgical services at NHHMC.

Novant Health Huntersville Medical Center
Historical Surgical Utilization (IP* & OP)

FY2009	5,547
FY2010	5,584
FY2011	4,659
FY2012	4,642
FY2013	4,728
FY2014	4,485
2-Yr CAGR	*-1.7%*
3-Yr CAGR	*-1.3%*
4-Yr CAGR	*-5.3%*
5-Yr CAGR	*-4.2%*

*Excluding C-sections performed in dedicated C-section OR
Source: NHHMC License Renewal Applications

Utilization of NHHMC's surgical operating rooms has significantly decreased in recent years. The previous table summarizes the compound annual growth rates (CAGR) for each of the previous five years, not one of which reflects positive growth. In fact, NHHMC's FY2014 overall surgical utilization reflects the lowest use since FY2009.

NHHMC opened its fifth operating room in November 2014, and states that inpatient surgical utilization has subsequently increased 7.2%; however, NHHMC's outpatient surgical utilization has continued to *decrease* effectively offsetting any net increase in overall surgical utilization. The following table summarizes NHHMC surgical utilization by calendar year, including annualized CY2015 utilization (see page 82 NHHMC CON application).

Novant Health Huntersville Medical Center
Historical Surgical Utilization

	CY2012	CY2013	CY2014	CY2015	*3-Yr CAGR*
IP Cases	1,223	1,298	1,210	1,287	*1.7%*
OP Cases	3,430	3,406	3,301	3,118	*-3.1%*
Total Cases	**4,653**	**4,704**	**4,511**	**4,405**	*-1.8%*

Source: NHHMC CON Application page 82; Exhibit 3, Table 9

Based on CY2015 data provided on page 82 of its application, inpatient surgical utilization represents only 29% (1,287 ÷ 4,405 = .29) of overall surgical utilization at NHHMC. A modest, one-year 1.7% growth rate for inpatient surgical cases from CY2014 to CY2015 is not sufficient evidence of need for an additional operating room at NHHMC, especially considering the fact that outpatient surgical utilization decreased 5.5% during the same time period. In summary, historical surgical utilization at NHHMC does not support the need to relocate one operating room from NHPMC to NHHMC.

NHHMC failed to adequately demonstrate that projected surgical utilization is based on reasonable assumptions. First, NHHMC projects that inpatient surgical utilization will increase based on a compound annual growth rate of approximately 5% through the third year of the proposed project completion. This is drastically higher compared to the historical growth of NHHMC's inpatient surgical utilization, which was only 1.7% during the last three years. NHHMC attempts to justify projected inpatient surgical utilization based on the historical percentage of total admissions that reflected admission for inpatient surgery (page 94 NHHMC CON application). However, upon a review of the data provided in Exhibit 3, Table 8, it is clear that the percentage of inpatient admissions resulting in inpatient surgery has steadily declined in recent years. Please refer to the following table.

Novant Health Huntersville Medical Center –
Surgical Admissions as a Percent of Total Admissions

	Aug 10-Jul 11	Aug 11-Jul 12	Aug 12-Jul 13	Aug 13-Jul 14	Aug 14-Jul 15	*4-YR CAGR*
Inpatient Admissions	5,549	5,596	5,976	6,380	6,754	*5.0%*
Inpatient Surgical Cases	1,234	1,251	1,236	1,255	1,277	*0.9%*
Percent of Total Inpatient Admissions	22.2%	22.4%	20.7%	19.7%	18.9%	

Source: NHHMC CON Application Exhibit 3, Table 8

Upon review of NHHMC's data, it is evident that although inpatient admissions have increased during the last four years, the percentage of admissions resulting in inpatient surgical cases has consistently decreased from 22.2% during August 2010-July 2011 to 18.9% during August 2014-July 2015. NHHMC failed to provide any explanation for the decreasing trend. Furthermore, NHHMC failed to provide any rationale to support its assumption that the percentage will stabilize and remain at a constant 18.9% during the next seven years. NHHMC's methodology therefore assumes that inpatient surgical cases will increase by the same compound annual growth rate as inpatient admissions (5.0%). As shown in the previous table, inpatient surgical cases increased by a compound annual growth rate of only 0.9% during the last four years. Absent any rationale to support a 5.0% compound annual growth rate and in comparison to its modest inpatient surgical growth rate in recent years, NHHMC failed to adequately demonstrate its projected inpatient surgical utilization is based on reasonable and supported assumptions.

NHHMC failed to demonstrate its outpatient surgical utilization is based on reasonable and supported assumptions. On page 95 of its CON application, NHHMC utilized a weighted population growth rate of 1.7% to project future outpatient surgery at NHHMC; however, historical outpatient surgical utilization at NHHMC has not mirrored the population growth for NHHMC's service area. As shown in the NHHMC outpatient surgical utilization provided in Exhibit 3, Table 9, outpatient surgical cases has consistently decreased during the last five calendar years.

Novant Health Huntersville Medical Center
Historical Outpatient Surgical Utilization

	CY2010	CY2011	CY2012	CY2013	CY2014	CY2015	*5-Yr CAGR*
OP Surgical Cases	4,075	3,393	3,430	3,406	3,301	3,118	*-5.2%*

Source: NHHMC CON Application Exhibit 3, Table 9

Population growth in the marketplace is not sufficient rationale to project that a consistent downward trend in outpatient surgical utilization at NHHMC will reverse and remain positive during the next seven years. NHHMC's own surgical market share data on page 85 of its CON application indicates decreasing outpatient market share in Mecklenburg, Iredell and Gaston counties.

Novant Health Huntersville Medical Center
Outpatient Surgical Market Share

County	2013	2014
Cabarrus	1.06%	1.23%
Gaston	1.09%	1.07%
Iredell	4.19%	3.94%
Lincoln	5.42%	5.95%
Mecklenburg	3.99%	3.90%

Source: NHHMC CON Application, page 85

NHHMC cites the increasing number of surgeons on the NHHMC Medical Staff as a rationale to support projected surgical utilization; however, despite a net increase of 17 surgeons during 2014-2015 (see table page 86 of CON application), outpatient surgical utilization continued to decrease at NHHMC during the same time period. Therefore, the number of surgeons on the active Medical Staff is not sufficient evidence to support a positive growth projection in outpatient surgery at NHHMC.

In summary, NHHMC did not adequately demonstrate that projected surgical utilization is based on reasonable assumptions. Therefore, NHHMC overestimates the number of persons to be served and consequently does not adequately demonstrate the need to relocate one OR from NHPMC to NHHMC.

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

As shown in the following table, Novant is proposing to relocate beds and an operating room from a facility (NHPMC) which provides significantly more Medicaid access than NHHMC. This will result in less access for the medically underserved in Mecklenburg County.

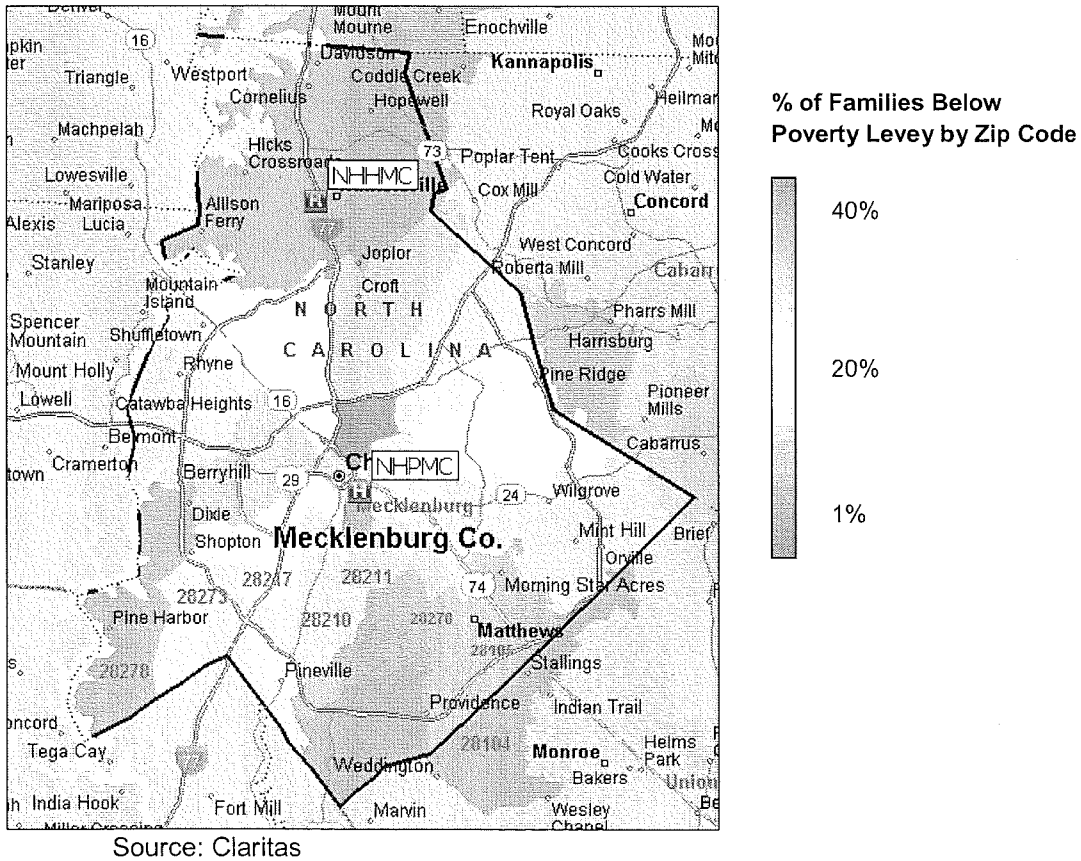
Comparison of Medicaid Access

	NHPMC	NHHMC
Inpatient Days of Care	21.9%	8.4%
Inpatient Surgical Cases	16.6%	5.2%
Ambulatory Surgical Cases	12.2%	4.5%

Sources: 2015 Hospital License Renewal Applications

Relocating 48 acute care beds and one operating room from NHPMC to NHHMC will have a negative impact on the medically underserved low-income population. The zip codes in the northern part of Mecklenburg County represent the areas with the lowest percentage of families living below the poverty, while the zip codes surrounding NHPMC in the central area of Mecklenburg County represents the areas with the highest percent of families living below the poverty level in the county. See the map below.

Percent of Families Below Poverty Level by Zip Code, 2015



Source: Claritas

NHHMC's proposal will relocate inner city Medicaid accessible beds out to the most affluent suburban market in the Charlotte region. The map of poverty distribution in Mecklenburg County shows that there would be detrimental consequences for low income persons if 48 acute care beds were moved to NHHMC. A majority of the Medicaid patients and those residents with fewer economic resources in Mecklenburg County would be placed further from acute care services. The end result would be a decrease in access to healthcare for Mecklenburg County residents with lower incomes.

The composition of racial distribution in Mecklenburg County further demonstrates that the proposed project is not the most effective alternative in terms of increasing access to healthcare services for Mecklenburg County's residents. Zip code 28204, which includes NHPMC, hosts a comparatively higher composition of African Americans (20.4%) than zip code 28078, which includes NHHMC and has only 10.0% African Americans. Therefore, access to healthcare services for racial and ethnic minorities will be harmed if 48 acute care beds and one operating room are moved to the northern tip of Mecklenburg County.

In summary, NHHMC did not adequately demonstrate that the needs of the population presently served by the 48 acute care beds currently located at NHPMC will be met adequately by the proposed relocation because this population, particularly low income persons, will have far less access to acute care services upon completion of the proposed project. Therefore, the application is not conforming to this criterion.

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

In Section III.3, pages 102-103, NHHMC discussed the alternatives they considered prior to submission of the application. However, the application is not conforming to all applicable statutory and regulatory review criteria. See Criteria (3), (3a), (5), (6), (12), (13c) and the Criteria and Standards for surgical services and operating rooms promulgated in 10A NCAC 14C .2100. Therefore, NHHMC did not adequately demonstrate that its proposal is an effective alternative and the application is in non-conformance with this criterion.

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

As described in Criterion 3, the Novant application did not demonstrate the need the population has for the large proposed expansion of inpatient beds and operating rooms. Therefore, Novant did not demonstrate the financial feasibility of the proposal, because the projected charges are based upon unreasonable utilization projections.

As described in response to Criterion 7, the Novant application has several inconsistencies with regard to the projected staffing tables, which raise questions about the accuracy of the staffing expenses shown in the proforma financial statements.

The bad debt expenses for Form B and for each Form C decreased between 25%-36% from 2014 to 2015 without explanation from Novant, raising questions about the reasonableness of the bad debt projections for the facility and for each service during the initial three project years.

The Form B and Form C indirect expenses of "Building & Grounds Maintenance", "Utilities", and "Insurance" each increased just 3% during Project Year 1. This is not reasonable because each of these expense lines is directly correlated with facility square footage, and Novant states on page 175 of its application that the square footage of NHHMC will increase by 60,605 SF, which is a 22% increase from the current facility total of 269,809K SF.

The capital cost table on page 161 includes an expense of $1,342,633 for interest during construction. Yet Novant includes no further explanation about a bank loan associated with this projected expense, and does not include a letter from a bank expressing willingness to provide funding for this project.

Novant includes in Section VIII (pp. 164-166) a list of on-going CON projects in North Carolina. The table shows that the cumulative funding requirements for those projects exceed $234 million. Thus, including the $46 million cost of the proposed Huntersville project, Novant anticipates spending approximately $280 million on capital projects just in North Carolina (excluding Novant facilities in other states). This is clearly incompatible with the cash-on-hand balance of $353 million shown in Novant's audited financial statements in Exhibit 10. Organizations are required, for many reasons, to maintain appropriate cash balances and various liquidity ratios. Novant has not clearly demonstrated that it will be able to maintain such financial ratios with all the capital requirements listed, along with the proposed Huntersville project.

For all these reasons, Novant did not demonstrate the availability of funds for capital needs, and did not reasonably project the costs and charges for providing the proposed services, and therefore the project is not conforming to Criterion 5.

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

When it enacted the CON law, the General Assembly found that *"if left to the marketplace to allocate health service facilities and healthcare services, geographical misdistribution of these facilities and services would occur, and, further, less than equal access to all population groups, especially those that have traditionally been medically underserved, would result."* Clearly if NHHMC is permitted to duplicate existing and planned services to serve Mecklenburg County residents, as proposed in its application, the project will result in precisely the "geographical misdistribution" of facilities and services and "less than equal access for all population groups" which the Legislature intended to prevent by means of the CON law.

NHHMC did not adequately demonstrate the need for all of the services they propose to relocate to Huntersville. See Criterion (3) for discussion. Therefore, NHHMC did not adequately demonstrate that the proposal would not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Consequently, the application is not conforming to this criterion.

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

In Section VII (pp. 147-148) Novant shows its current and proposed staffing tables for the impacted hospital services. These tables include various inconsistencies and errors. Specifically:

- The total current staffing on page 147 totals 181.40 FTEs, not the 176.40 FTEs listed.
- The total projected staffing on page 148 totals 260.0 FTEs, not the 266.65 FTEs listed.
- The current OR staffing total on page 147 does not foot to the total of 34.90 FTEs shown on page 147.
- The projected OR pre/post recovery staffing total on page 148 does not foot to the total of 16.55 FTEs shown on page 148.
- With a 20% OR capacity increase, Novant projects no change from the 34.90 FTE total in OR staffing. Novant also projects a decrease of Total OR pre/post

recovery staffing from 19.00 down to 16.55 FTEs, which is not reasonable given the projected OR utilization increase.

Therefore, Novant did not adequately demonstrate the availability of health manpower resources for the provision of the services proposed, and the application is in non-conformance with this criterion.

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

Novant contracts its laundry, environmental services, and food and nutritional services with outside vendors. With this project, Novant is proposing a 50% increase in hospital beds, a 20% increase in OR capacity, and a 22% increase in the size of the facility. Yet the application does not include any documentation from these outside vendors of either their willingness or ability to provide the expanded services necessary to support the additional square footage, inpatient beds and operating room.

Therefore, the applicant is not conforming to Criterion 8.

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

The Novant application does not include any line drawings showing the current spaces and department configurations. This makes it difficult for the CON Project Analyst to evaluate the large proposed space increases, and to compare the specific spaces that are proposed for increase. For example, the line drawing in Exhibit 13 shows six bassinets in the newborn nursery, but does not show how many bassinets currently exist in the newborn nursery. The narrative does not provide any information about appropriate ratios of bassinets to NICU beds. This information is important for considering the proposed doubling of the NICU beds from two to four.

Novant's application states that it proposes to add 48 inpatient beds (including 44 med/surg, 2 ICU, and 2 NICU beds) at NHHMC. However, the architect line drawings included in Exhibit 13 show 48 additional med/surg beds (24 new patient rooms on each

of the second and third floors), which is 4 more than is described elsewhere in the application. This 48-bed addition is also indicated by the equipment inventory shown in Exhibit 14, which lists 48 new med/surg beds, 48 new headwalls, and 48 new telemetry systems and associated expenses.

In Exhibit 13, the Novant line drawings show 15 new pre-operative rooms. Further, the line drawings show the addition of six first-stage recovery bays to add to the existing eight bays. These additions seem excessive, given a proposed increase of one operating room. Novant provides no narrative to justify this large addition of pre and post-op spaces.

The Exhibit 13 line drawings also show several very large supply and equipment storage rooms located on the 1st floor, adjacent to the operating room. The application does not provide adequate justification for this large and costly space increase.

On page 181 of its application, Novant projects that development of the line drawings will exceed one year. This seems unreasonably lengthy, and perhaps reflects a need for Novant to "buy time" to smooth the impact of the unreasonably optimistic utilization projections by extending the growth over a longer project development time period.

Considering all these issues, the Novant application is not conforming to Criterion 12 because Novant's construction cost will unduly increase the costs of providing health services at the facility.

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

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

Novant did not demonstrate that it services medically underserved populations to the same level as the percentage of the population which is medically underserved. Specifically, NHHMC's historical Medicaid payor mix (pp. 142-143) is lower than the 15.4% of Mecklenburg County residents who are living below the Federal poverty level

(per US Census Bureau), and lower than the historical Mecklenburg County Medicaid-eligible mix of 17.5% (per NC DMA).

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

As shown in the table below, Novant is proposing to relocate beds and an operating room from a facility (NHPMC) which provides significantly more Medicaid access than NHHMC. This will result in significantly less access for the medically underserved in Mecklenburg County, as shown on the table below, which compares the FY2014 Medicaid payor mix at NHPMC and NHHMC.

Comparison of Medicaid Access

	NHPMC	NHHMC
Inpatient Days of Care	21.9%	8.4%
Inpatient Surgical Cases	16.6%	5.2%
Ambulatory Surgical Cases	12.2%	4.5%

Sources: 2015 Hospital License Renewal Applications, attached to this document.

Novant's proposal will relocate inner city Medicaid accessible beds out to the most affluent suburban market in the Charlotte region. This will move safety net beds outside the market that they were designed to protect. The large downtown NHPMC facility also provides efficiencies of scale for the poor and elderly in one location. The medical specialists and equipment needed to serve this population are typically based around the large tertiary center. Moving the beds and the ongoing future resources out to the suburbs goes against protecting the medically indigent as identified in the State Health Plan.

Therefore, the Novant application is not conforming to Criterion 13 with regard to underserved access.

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

Based on non-conformity with Criterion 5, Novant should be found non-conforming with Criterion 18a.

Novant should be found non-conforming with Criterion 18a based on non-conformity with Criterion 12. Novant did not demonstrate how its proposal will have a positive impact on cost effectiveness. Novant does not maximize healthcare value for the resources proposed to be expended. Novant proposes an expensive construction project without adequate justification of spaces.

Novant should be found non-conforming with Criterion 18a based on non-conformity with Criteria 13a & 13c. Novant did not demonstrate how its proposal will have a positive impact on access, given that it proposes a lower medically underserved (Medicaid) payor mix than the county Medicaid-eligible population, and that it projects to shift beds and an operating room from a facility that provides greater Medicaid access to a facility that provides less Medicaid access.

10A NCAC 14C .1200 Criteria & Standards for Intensive Care Services

10A NCAC 14C .1203(b) Performance Standards

As described on page 90 of the CON application, the proposed two additional ICU beds are a subset of the 48 acute care beds projected to be needed at NHHMC. NHHMC projects future ICU patient days by applying the historical percent of total acute care days which were ICU days (6.4%) to projected acute days of care. As described previously in this document, NHHMC did not adequately demonstrate that projected utilization of the 48 relocated acute care beds is based on reasonable assumptions. Therefore, by extension, NHHMC did not adequately demonstrate that projected utilization of the two ICU beds is based on reasonable assumptions. Therefore, the application is not conforming to this criterion.

See Criterion (3) for additional discussion.

10A NCAC 14C .2100 Criteria & Standards for Surgical Services and Operating Rooms

10A NCAC 14C .2103(b)(1) Performance Standards

NHHMC did not adequately demonstrate that projected surgical utilization is based on reasonable assumptions. Therefore, the application is not conforming to this criterion.

See Criterion (3) for additional discussion.

D. Beds by Service (Inpatient) *continued*

Number of Swing Beds *	0
Number of Skilled Nursing days in Swing Beds	N/A
Number of unlicensed observation beds	0

* means a hospital designated **as a swing-bed hospital** by CMS (Centers for Medicare & Medicaid Services)

E. Reimbursement Source (For "Inpatient Days," show Acute Inpatient Days only, excluding normal newborns.)

Primary Payer Source	Inpatient Days of Care (total should be the same as D.1.a – q total on p. 6)	Emergency Visits (total should be the same as F.3.b. on p. 8)	Outpatient Visits (excluding Emergency Visits and Surgical Cases)	Inpatient Surgical Cases (total should be same as F.8.d. Total Surgical Cases-Inpatient Cases on p. 13)	Ambulatory Surgical Cases (total should be same as F.8.d. Total Surgical Cases-Ambulatory Cases on p. 13)
Self Pay/Indigent/Charity	835	5,136	0	37	97
Medicare & Medicare Managed Care	12,333	7,353	9,220	616	727
Medicaid	2,036	5,274	1,396	81	146
Commercial Insurance	8,296	13,445	13,987	758	2,091
Managed Care	326	654	685	27	94
Other (Specify) *	371	860	550	35	115
TOTAL	24,197	32,722	25,838	1,554	3,270

* Other Govt & Workers Comp

F. Services and Facilities

1. Obstetrics

	Enter Number of Infants
a. Live births (Vaginal Deliveries)	705
b. Live births (Cesarean Section)	349
c. Stillbirths	8

d. Delivery Rooms - Delivery Only (not Cesarean Section)	0
e. Delivery Rooms - Labor and Delivery, Recovery	12
f. Delivery Rooms – LDRP (include Item **"D.1.m"** on Page 6)	0
g. Normal newborn bassinets (Level I Neonatal Services) Do not include with totals under the section entitled Beds by Service (Inpatient)	0

2. Abortion Services

Number of procedures per Year 4

D. Beds by Service (Inpatient) *continued*

Number of Swing Beds *	
Number of Skilled Nursing days in Swing Beds	
Number of unlicensed observation beds	

* means a hospital designated **as a swing-bed hospital** by CMS (Centers for Medicare & Medicaid Services)

PMC only (10/1/13 - 9/30/14)

E. Reimbursement Source (For "Inpatient Days," show Acute Inpatient Days only, excluding normal newborns.)

Primary Payer Source	Inpatient Days of Care (total should be the same as D.1.a – q total on p. 6)	Emergency Visits (total should be the same as F.3.b. on p. 8)	Outpatient Visits (excluding Emergency Visits and Surgical Cases)	Inpatient Surgical Cases (total should be same as F.8.d. Total Surgical Cases-Inpatient Cases on p. 13)	Ambulatory Surgical Cases (total should be same as F.8.d. Total Surgical Cases-Ambulatory Cases on p. 13)
Self Pay/Indigent/Charity	4911	18,126	2,153	217	286
Medicare & Medicare Managed Care	48,905	15,831	23,971	2,393	4,839
Medicaid	22,007	28,064	11,891	1,224	1,919
Commercial Insurance	36,820	18,375	33,026	3,184	7,024
Managed Care	1,269	874	1,282	108	307
Other (Specify)	4,505	2,184	2,590	250	500
TOTAL	123,417	83,454	74,913	7,376	15,745

F. Services and Facilities

1. Obstetrics – PMC only (10/1/13 - 9/30/14)	Enter Number of Infants
a. Live births (Vaginal Deliveries)	3,217
b. Live births (Cesarean Section)	1,804
c. Stillbirths	47

d. Delivery Rooms - Delivery Only (not Cesarean Section)	0
e. Delivery Rooms - Labor and Delivery, Recovery	16
f. Delivery Rooms – LDRP (include Item **"D.1.m"** on Page 6)	0
g. Normal newborn bassinets (Level I Neonatal Services) Do not include with totals under the section entitled Beds by Service (Inpatient)	60

2. Abortion Services Number of procedures per Year 92