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Ms. Julie Faenza
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RE: Comments by Lake Norman Regional Medical Center Regarding Atrium Health Lake Norman CON Project ID # F-12010-20 (Mecklenburg County)

Dear Ms. Faenza:

Enclosed please find comments prepared by Lake Norman Regional Medical Center regarding the above-referenced CON application in Mecklenburg County. I trust that you will take these comments into consideration during your review of the applications.

Thank you for your consideration. Please contact me if you have any questions.

Sincerely,



Stephen L. Midkiff, CEO
Lake Norman Regional Medical Center

Enclosure

Overview

The Atrium Health Lake Norman (AHLN) CON application # F-12010-20 proposes to establish a new freestanding 30-bed hospital near the northern border of Mecklenburg County to steer patients and resources away from nearby existing hospitals. While the CON application claims that this proposal merely shifts patients that would otherwise utilize an existing Atrium Hospital, this contention is false for several reasons:

- No health system would be willing to spend over \$150 million to build a new hospital unless it would gain market share and provide substantial return on investment.
- The specific beds and operating rooms that are being redeployed in this application have not yet been developed and have zero market share to shift.
- Other than alleged geographic accessibility, the application fails to demonstrate that the proposed new hospital will offer greater depth of services, improved cost savings or any other benefit to patients.
- The applicant's contrived utilization projections and assumptions are contrary to historical data and pretend that COVID-19 has no impact by "normalizing" the current year's data for Atrium facilities.

Project application # F-12010-20 represents an incredibly costly "change of scope" for the previously- approved Projects ID #s F-11811-19, F-11812-19, and F-11815-19. In addition, Project # F-012010-20 is a more costly reiteration of the previous Atrium CON # F-11810-19 that was correctly denied because it is not conforming to CON Review Criteria (1), (3), (4), (5), (6), (12) and (18a). Many of the same defects that caused the nonconformities in CON # F-11810-19 are repeated in CON # F-012010-20.

- Atrium fails to demonstrate the need the population has for the proposed project.
- Operational and financial projections are flawed and based on unreasonable assumptions.
- The proposed new hospital would unnecessarily duplicate existing services.
- Atrium's proposal to develop a new project fails to enhance competition or promote cost effectiveness.

The Agency should deny CON # F-12010-20. Additional reasons why the application should be found nonconforming to the CON Review Criteria are outlined in the following sections that are specific to the CON Review Criteria.

Criterion (1)

Project application # F-012010-20 is nonconforming to Criterion1 and Policy GEN-3. The applicant does not adequately demonstrate how its projected volumes incorporate the concept of maximum value for resources expended. This application is a “change of scope” for the previously approved Projects ID #s F-11811-19, F-11812-19, and F-11815-19 that were submitted in response to the need determinations in the 2019 SMFP. Project # F-012010-20 is a more costly reiteration of the previous Atrium CON # F-11810-19 that was correctly denied because it is nonconforming to CON Review Criteria (1), (3) and other multiple CON Review Criteria.

The applicant does not adequately demonstrate the need to develop a new hospital facility with 30 beds and 2 ORs. therefore, the applicant fails to adequately demonstrate how the proposed project will maximize healthcare value for resources expended in meeting the need identified in the 2017 SMFP. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not consistent with Policy GEN-3.

Criterion (3)

Project application # F-012010-20 does not conform to Criterion 3 because the utilization projections are based on an incorrect service area definition, erroneous patient origin, and overstated and unreasonable utilization projections as discussed in the following paragraphs.

Incorrect Primary Service Area Definition

The proposed location for AHLN is in Cornelius near the northern border of Mecklenburg and the southern border of Iredell County. This proposed hospital is strategically located between

Lake Norman Regional Medical Center to the north and Novant Health Huntersville to the south. Both hospitals are competitors of Atrium and are within 7.2 driving miles of the proposed AHLN. Clearly, AHLN chose this location to take patients and market share from LNRMC and NH Huntersville.

The AHLN application wrongly designates Mooresville zip codes 28115, 28117 and 28123 as within Iredell County and are included in its proposed primary service area. These are zip codes in Iredell County where Atrium has no existing hospitals and holds minimal market share for acute care services. The application offers no documentation of any potential transfer agreements between AHLN and facilities in Iredell County that would support the primary service area designation for zip codes 28115, 28117 and 28123. Iredell patients have no need to leave their home county to obtain access to the high quality, cost-effective healthcare that is already available at Lake Norman Regional Medical Center. Atrium leaders are focused on targeting these Iredell County zip codes because the health system wants to steer patients away from the existing competing hospitals.

Atrium's map on page 4 of Section Q shows that the primary zip codes 28115, 28117 and 28123 in Iredell County are approximately the same travel distances from the proposed AHLN as the Charlotte zip codes 28216 and 28269 that are assigned to the secondary service area. This is unreasonable because there are very few Atrium Health physician practices located in the Iredell County zip codes 28115, 28117 and 28123 based as seen in the table on page 48 and the map on page 51 of the application. In contrast, there is a tremendous number of Atrium physicians in the Charlotte zip codes. Furthermore, no documentation is provided by the applicant to demonstrate that the physician recruitment plan will increase the number of Atrium Health physicians practicing in Iredell County. By assigning the Mooresville zip codes to the primary service area, the applicant falsely presumes that it can steer higher percentages of patients to its proposed project as compared to any of its existing Atrium hospital.

It is unreasonable for Atrium to assert that it can annex the Mooresville zip codes into its proposed primary service area because only a small percentage of patients from Iredell County are admitted to any Mecklenburg hospitals. The 2019 patient origin data for all Mecklenburg acute care hospital facilities shows that 2,720 patients originated from Iredell County which represents **2.12 percent** of total patients served by Mecklenburg hospitals. Of these Iredell patients, a total of 1,091 were admitted to Charlotte Medical Center (at 1000 Blyth Blvd in Charlotte) and 599 patients were admitted to Novant Presbyterian (at 200 Hawthorn Lane in Charlotte). Both are tertiary medical centers care that obtain referrals and patient transfers from other counties due to their critical care capabilities and specialists.

During 2019, only 78 patients from Iredell were admitted to Atrium Health University City which is not a tertiary hospital but it is the closest Atrium hospital to any location in Iredell County. This shows that 97 percent (78 divided by 2720) of patients from Iredell County chose to bypass Atrium Health University City to seek care at other hospitals. Based on this data it is reasonable to conclude that patients leaving Iredell County are seeking admission to the tertiary hospital in Charlotte Mecklenburg hospitals for specialized services instead of choosing convenient access to Atrium Health University City. The proposed AHLN, with 30 beds and 2 ORs, falsely assume it will shift thousand of patients that would otherwise seek care at larger facilities with far greater capabilities.

Erroneous Patient Origin Projections

The CON application form is very specific and requires the applicant to provide the patient origin and the applicant is instructed not to modify the form. In CON application # F-012010-20, the applicant chose to omit the required patient origin data by numbers of patients that is specifically request by the Agency. Instead, the applicant provides unsupported projections for days of care in the table on page 33 of the application. Days of care are highly variable between facilities and between different types of acute care beds. It is important for the Agency to know the projected numbers of patient admissions, the average length of stay and

the resulting days of care to conduct a thorough CON review because the proposed project involves an incredibly expensive new acute care hospital.

The projected patient origin table for Atrium Health Lake Norman on page 35 of the application is inaccurate because it is based on the sum of the days of care for the acute care beds on page 33 plus the projected numbers of patients in the tables on page 34. Based on these erroneous calculations the AHLN application is defective in its entirety.

The projected numbers of patients are requested in the patient origin table of the CON application for acute care services to enable the Agency to assess the reasonableness of the applicant's utilization projections. The AHLN # F-11810-19 application (that was properly denied by the Agency) provided the patient origin data with the projected numbers of patients as well as average length of stay and days of care as requested by the CON form. Even with this very detailed data, the agency recognized that the utilization projections in Project # 11810-19 were unreasonable.

Atrium Health acknowledges that it is currently appealing the denial of # F-11810-19. In its new Project # F-12010-20, Atrium is projecting very different patient origin percentages with higher percentages of utilization originating from Iredell County. The tables on the following page show the comparison of the patient origin tables in the current application #F-12010-20 to those of the previous application #F-11810-19.

Project # F-12010-20/Atrium Health Lake Norman/Develop a new satellite hospital campus with 30 acute care beds and 2 ORs

Projected Patient Origin for Acute Care Beds for Atrium Health Lake Norman

County or other geographic area such as ZIP code	1 st Full FY 01/01/2024 to 12/31/2024		2 nd Full FY 01/01/2025 to 12/31/2025		3 rd Full FY 01/01/2026 to 12/31/2026	
	Number of Days	% of Total	Number of Days	% of Total	Number of Days	% of Total
Mecklenburg	3,438	85.7%	5,327	85.7%	7,337	85.7%
Iredell	572	14.3%	887	14.3%	1,221	14.3%
Total	4,010	100.0%	6,213	100.0%	8,558	100.0%

Projected Patient Origin for Operating Rooms for Atrium Health Lake Norman

County or other geographic area such as ZIP code	1 st Full FY 01/01/2024 to 12/31/2024		2 nd Full FY 01/01/2025 to 12/31/2025		3 rd Full FY 01/01/2026 to 12/31/2026	
	Number of Patients	% of Total	Number of Patients	% of Total	Number of Patients	% of Total
Mecklenburg	657	77.8%	1,018	77.8%	1,402	77.8%
Iredell	187	22.2%	290	22.2%	400	22.2%
Total	844	100.0%	1,308	100.0%	1,802	100.0%

Projected Patient Origin for Emergency Department for Atrium Health Lake Norman

County or other geographic area such as ZIP code	1 st Full FY 01/01/2024 to 12/31/2024		2 nd Full FY 01/01/2025 to 12/31/2025		3 rd Full FY 01/01/2026 to 12/31/2026	
	Number of Visits	% of Total	Number of Visits	% of Total	Number of Visits	% of Total
Mecklenburg	3,225	84.8%	4,784	84.8%	6,307	84.8%
Iredell	576	15.2%	854	15.2%	1,126	15.2%
Total	3,800	100.0%	5,638	100.0%	7,433	100.0%

Previous Project # F-11810-19/Atrium Health Lake Norman/Develop a new satellite hospital campus with 30 acute care beds and 2 ORs (Under Appeal)

AH-LN Projected Patient Origin – Acute Care Beds

County	FY 1 (CY 2023)		FY 2 (CY 2024)		FY 3 (CY 2025)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Mecklenburg	947	91.8%	1,448	91.8%	1,969	91.8%
Iredell	84	8.2%	129	8.2%	175	8.2%
Total	1,031	100.0%	1,577	100.0%	2,144	100.0%

Source: Section C, page 33

AH-LN Projected Patient Origin – Shared ORs

County	FY 1 (CY 2023)		FY 2 (CY 2024)		FY 3 (CY 2025)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Mecklenburg	692	85.5%	1,060	85.5%	1,442	85.5%
Iredell	118	14.5%	180	14.5%	245	14.5%
Total	810	100.0%	1,240	100.0%	1,687	100.0%

Source: Section C, page 33

AH-LN Projected Patient Origin – Emergency Department

County	FY 1 (CY 2023)		FY 2 (CY 2024)		FY 3 (CY 2025)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Mecklenburg	4,633	96.9%	7,093	96.9%	9,651	96.9%
Iredell	150	3.1%	230	3.1%	313	3.1%
Total	4,784	100.0%	7,322	100.0%	9,963	100.0%

Source: Section C, page 34

In CON application # F-12010-20, the AHLN operational projections are unreasonable based on:

- Patient origin projections for acute care beds that omit the numbers of patients and provide no assumptions for average length of stay.
- Patient origin projections for the acute care beds show lower Mecklenburg percentage access and higher Iredell percentage as compared to Atrium's previous project # F-11810-19.
- Patient origin projections for the operating rooms report show decreased Mecklenburg patient access percentage (from 85.5% to 77.8%) and increased utilization from Iredell from (14.5% to 22.2%) as compared to the previous project # F-11810-19.
- Patient origin projections for the proposed emergency department with fewer patients from Mecklenburg and increased numbers of patients from Iredell as compared to the previous project # F-11810-19.

The patient origin for acute care beds and ORs that are provided in CON application # F-12010-20 are also vastly different from the actual historical utilization for Atrium Health University City as seen on pages 32 and 33 of the application. **Less than 1 percent of the total patients** at Atrium Health University City originate from Iredell County even though this is the closest Atrium hospital to any location in Iredell County.

Patient origin projections in CON application # F-12010-20 are based on the irrational assumption that Atrium can steer more patients away from Iredell County to the proposed 30-bed hospital in Cornelius with a hospital that offers a far more limited scope of service as compared to all of the hospitals in Iredell and all of the existing Atrium hospitals in Mecklenburg County. It is also unreasonable to assume that Iredell patients who previously chose to bypass Atrium Health University City to obtain services at Atrium CMC Main in Charlotte would shift to the proposed 30-bed hospital.

Atrium has accepted the CON approvals for Projects #s F-11811-19, F-11812-19, and F-11815-19. By accepting these CON approvals and their accompanying terms and conditions, Atrium certifies that the representations in the applications are accurate and that these three projects are the most effective alternatives to provide additional acute care capacity for the service area that is defined as Mecklenburg County. Furthermore, the patient origin data for these previously-approved projects are based on historical data with all of these projects having patient origin with no more than 2% to 3% of patients originating from Iredell County. Based on Atrium's acceptances and certification of Projects #s F-11811-19, F-11812-19, and F-11815-19, the representations in CON application # F-12010-20 are not credible.

Overstated and Unreasonable Utilization Projections

Atrium Health continues to submit overlapping CON applications that include acute care beds and operating rooms with the hope of strengthening its dominance in Mecklenburg County and taking market share from competitors in neighboring hospitals. CON application # F-12010-20 should be denied for many of the same reasons that pertain to project # F-11810-19.

CON application #F-12010-20 proposes the redeploy 30 acute care beds and 2 operating rooms that were previously approved in 2019 for other Atrium facilities located in Charlotte and University City where more Mecklenburg residents would have favorable geographic access. According to the progress reports for Projects #s F-11811-19, F-11812-19, and F-11815-19 these beds and ORs have not yet been developed. Therefore, these beds and ORs have no historical utilization or market share to be shifted to a new proposed facility. Previous sets of Findings that are included in the AHLN Exhibit are dissimilar to #F-12010-20 because these other applicants did not have multiple previously-approved CON projects that included beds and ORs yet to be developed that are now being proposed to be relocated. No previous Findings in Exhibit C.10-1 involved three projects with a combined CON-approved budget of less than **\$23 million** to be reformulated for the development of a new hospital with a total cost of over **\$153 million**. The proposed increase in the capital cost amount is \$131,661,182. which

represents an astounding **961.25 percent increase**. Previous CON Findings for dissimilar projects do not obligate the Agency to accept the unreasonable utilization projections that are included in application #F-12010-20.

Atrium physicians are scarce in Iredell County as reflected in the historical patient origin data for Atrium Health University City with less than **1 percent** of acute care admissions and surgery patients originating from Iredell County. The AHLN 2020 CON application does not provide adequate information to demonstrate that it is reasonable to assume that patients who have historically utilized an Atrium hospital in Mecklenburg County will now access the proposed AHLN simply because they live in the applicant's contrived service area that includes portions of both Iredell and Mecklenburg Counties. AHLN proposes an extremely limited scope of services as compared to the hospital services that are already present in Lake Norman Regional Medical Center in Mooresville as well as hospitals in Mecklenburg County. Hospital services that are conspicuously lacking at the proposed AHLN include stroke care, cardiac catheterization, full-service anesthesiology and pain management.

Atrium's assumption regarding the projected days of care that would shift from existing Atrium facilities on pages 15 and 16 of Section Q are unreasonable and lack adequate support. Assumptions regarding days of care expected to shift are based on arbitrary percentages with no indication for the types and levels of care (medical surgical, ICU, maternity). The application provides no information regarding the projected pediatric days of care and expected shifts that would be different from that of adults for existing Atrium facilities. Furthermore, the AHLN projected days of care do not correspond to a specified number of patient admissions. As seen on page 5 of Section Q, Form C Utilization for AHLN omits the projected numbers of admissions. Omitting the numbers of patient admissions totally undermines the applicant's projections for days of care.

The AHLN “shift assumptions” for the Primary Service Area and the Secondary Service Area Step 4 on page 8 of Section Q are unreasonable because:

- The Iredell County zip codes are not in reasonable geographic proximity to the proposed hospital to be categorized as within AHLN’s primary service area.
- Atrium does not have any authority or proven capability to “shift patients” that have historically utilized an Atrium hospital because patients are free to utilize Novant hospitals as well as the existing Lake Norman Regional Medical Center in Mooresville.
- The 80% and 20% patient shift assumptions for days of care are contrived and lack validation due to the omission of the numbers of admissions in Years 1, 2 and 3.
- It is up to patients and physicians to choose what hospital facilities are most appropriate and convenient based on factors other than geography and driving times.
- The AHLN application failed to adequately explain why Atrium Health University City serves such small numbers and percentages of patients from Iredell County based on its close proximity to the PSA designated zip codes in Iredell County.

Based on the huge increase in patient days of care projected for Iredell patients, AHLN presumes that its Emergency Department will receive many EMS transports from the Iredell zip codes that are in its designated primary service area. Therefore, Iredell EMS vehicles will be diverted from their present routes which will decrease their availability to Lake Norman Regional Medical Center. The decreased availability of EMS service to Lake Norman Regional Medical Center will cause delays in patient transport and increased costs to the hospital.

No documentation is provided by AHLN to demonstrate that Iredell County EMS Services will transport any Iredell patients to the proposed AHLN since Lake Norman Regional Hospital in Mooresville already offers far greater depth of services and facility capacity. The CON application also fails to explain how patients and/or EMS personnel would know what acuity level is appropriate for the limited capabilities of AHLN when hospitals in Iredell and Mecklenburg Counties offer greater depth of services. Based on these circumstances, the

historical experience of existing Atrium hospitals within Mecklenburg County would not be reliable to predict ED utilization at AHLN.

Atrium Health's overall surgery volume projections are overstated because the application excludes the actual decline in surgery volumes due to COVID-19 in March through May 2020 and incorrectly assumes that the impact of COVID-19 is temporary. Another factor that distorts the overall surgery utilization for Atrium facilities is the ever-increasing case times for surgery performed at Carolinas Medical Center.

The AHLN application fails to provide adequate support for the surgery utilization growth assumptions that are inconsistent with historical data for Atrium Health University City. Outpatient surgery at Atrium Health University City has declined as shown in the negative compound annual growth rate for 2016 to 2019 as reflected on page 14 of Section Q of the AHLN application. Physician recruitment in previous years has not offset the decrease in surgery utilization at this Atrium Health University City facility. This decline in utilization is most likely to continue as patients and payors seek less costly ASC options in Mecklenburg County.

The application omits data for the numbers of cases and types of cases to be performed by the five emergency surgeons and other surgical specialists that are to be recruited to Atrium Health University City. No data is provided to demonstrate that emergency surgeons are going to be performing a high volume of outpatient surgery. No projections are shown for the expected utilization of the other surgeons to be recruited to Atrium Health University City. These surgeons will have opportunity to perform cases at freestanding ASCs. Therefore, the surgery volumes for Atrium Health University City due to physician recruitment are unreliable as are the doubtful shift of cases to the proposed AHLN.

The applicant's projected shift of surgery cases, as depicted on pages 24 of Section Q, are unreasonable due to multiple additional factors. The proposed AHLN, with only two operating rooms, will lack the breadth of surgical instruments and have limited equipment and staff to achieve the projected surgery volumes. While there are multiple Atrium facilities in the

Charlotte region that offer robotic surgery, this type of equipment is not included for the proposed AHLN. The staffing for the proposed operating rooms, C-Section room and procedure room is inadequate. The omission of CRNA staff positions for operating rooms and C-Section room at AHLN cause the operational projections to be unreasonable. Hospitals with only two operating rooms lack the scheduling capacity to perform high volumes of inpatient and emergency cases and also support strong outpatient surgery utilization. This arrangement is most inefficient and discouraging for surgeons who have access to larger hospitals with greater OR capacity as well as freestanding ambulatory surgery centers. It is unrealistic to expect that surgeons and patients would choose to have surgery at AHLN when better facility options are in nearby proximity.

Emergency Department utilization projections for AHLN are unreasonable because the projections do not consider health histories and comorbidities that would encourage patients to return to hospitals with greater depth of services as compared to the proposed AHLN. The Emergency Medical Treatment and Labor Act (EMTALA), requires that hospitals transfer patients requiring specialty care that is unavailable at the transferring institution and directs hospitals who offer these unique services to accept these patients for transfer. The percentage of patient transfers for the proposed AHLN would be notably higher than most hospitals due to its limited scope of services. Patients and families would want to avoid going to a hospital emergency department that would have greater need to transfer patients to other facilities. Consequently, the perception of easy convenience for AHLN would be overshadowed by costly transfers and the potential to delay in patients receiving specialty care.

COVID-19 has changed healthcare and patient behavior such that more patients will likely continue to utilize telehealth visits with physicians and midlevel providers to avoid emergency department visits. Historical data for hospital admissions, emergency department visits and some outpatient services for 2019 and previous years are no longer valid predictors for future healthcare utilization. Atrium projections are further flawed by its “normalizing” of current year utilization for Atrium Health University City and the other Atrium Hospitals. Based on this

contrived data for the current year, none of the 2016 to 2020 CAGR (compound annual growth rates) in the Section Q assumptions for historical data are reliable.

The AHLN application fails to take into consideration that Iredell County Emergency Medical Services, which serves the populations of zip codes 28115, 28117 and 28123, has no transfer agreements or protocols to transport patients to the proposed AHLN. But despite these realities, the AHLN application erroneously contends that utilization trends will return to pre-COVID levels to support its overstated growth projections.

AHLN fails to demonstrate that the population has a need for this project. Project application # F-012010-20 does not conform to Criterion 3 due to unreliable patient origin projections and overstated and unreasonable utilization projections.

Criterion (4)

The Agency should find the AHLN application nonconforming to Criterion 4 due to unreasonable operational and financial projections. An application that is nonconforming to multiple CON criteria is not an effective alternative.

The AHLN application # F-012010-20 is nonconforming to Criterion 3a due to unreasonable operation projections. Atrium has accepted the CON approvals for Projects #s F-11811-19, F-11812-19, and F-11815-19. By accepting these CON approvals and their accompanying terms and conditions, Atrium certifies that the representations in the 2019 applications are accurate and that these three projects are the most effective alternatives to provide additional acute care capacity for the service area that is defined as Mecklenburg County.

Criterion (5)

Project application # F-012010-20 does not conform to Criterion 5 due to unreasonable financial projections based on unreliable volume projections and the omission of key staff positions. The omission of CRNA staff positions for the operating rooms and C-Section room at AHLN cause the financial projections to be unreasonable.

Additional flaws in the AHLN financial projections are summarized as follows:

Form C. Utilization Projections are not credible due to the omission of the numbers of patient admissions in Form C, page 5, in Section Q. Due to this omission, it is impossible for the Agency to accept the projected days of care as being reasonable without knowing the numbers of patients and the average lengths of stay. Rather than providing the admissions data and underlying ALOS assumption, the AHLN application wants to solely focus on its implausible plan to shift days of care to the proposed AHLN.

Form F.1a Capital Cost projections are unreliable because the application fails to provide assumptions for the basis of its medical equipment cost of \$20,398,024 and the projection of \$20,704,000 for Other. The proposed AHLN is dissimilar to previous projects and the capital budget does not provide quotes or cost estimates for any of the proposed major medical equipment. So, while the purpose of CON law is to provide cost containment for healthcare services, AHLN offers a capital budget without adequate assumptions.

Form F.2 Revenues and Net Income are unreasonable because these financial projections are supposedly based on Atrium Health University City which will has a dissimilar (higher) patient acuity, and different composition of acute care beds, greater variety of complex types of surgery cases as well as different (longer) average length of stay as compared to the proposed AHLN. Rather than providing the worksheets, financial assumptions and data for the subset of patients that supposedly are AHLN appropriate, Atrium defaults to its *“based on its experience”* nonexplanation. So, if the AHLN financial projections are based on actual data, this information has been omitted from the CON application.

Form F.3 Operating Costs are unreasonable because the utilization projections are not based on reasonable assumptions regarding the projected days of care in Years 1, 2 and 3. AHLN understates its medical supplies expense that are based on 2019 pre-COVID costs that do not including the increased costs for personal protective equipment (PPE); The Atrium application unreasonably predicts that hospital supply expenses should be based on the 2019 “normal” expenses. Thus the 3.0 inflation factor ignores the impact of COVID-19. as seen in the following Form F.3 assumption.

“Medical Supplies and Other Supplies are based on Atrium Health University City's CY 2019 experience for the service converted to a per volume expense, inflated 3.0 percent annually, and multiplied by projected volume by service. Other supplies include office, dietary, and housekeeping/laundry supplies expense.”

Operating costs are inaccurate due to the omission of salary expenses for CRNA positions. Staffing expenses are unreliable. For example, in Year 2 AHLN provides RN staffing of 25.2 FTE for the 30 beds to accommodate 6,213 days of care. But in Year 3, AHLN assumes the same RN staffing level of 25.2 FTEs will be sufficient to care for the projected 38 percent increase to 8,558 days of care.

Criterion (6)

AHLN fails to demonstrate that this very costly project is necessary because there are existing and approved hospital services including emergency departments and diagnostic imaging services within short travel distances of the proposed site. AHLN is duplicative of the Atrium Health Mountain Island Emergency Department CON Project ID # F-011658-19 that involves a satellite Emergency Department, CT scanner and other clinical service.

Atrium has accepted the CON approvals for Projects #s F-11811-19, F-11812-19, and F-11815-19. By accepting these CON approvals and their accompanying terms and conditions, the

Atrium certifies that the representations in the 2019 applications are accurate and that these three projects are the most effective alternatives to provide additional acute care capacity for the service area that is defined as Mecklenburg County.

The applicant does not adequately demonstrate that the assumptions used to project acute care days of care and surgical cases in project application # F-012010-20 are reasonable and adequately supported. AHLN does not adequately demonstrate that the proposed operating rooms are needed at the facility near Cornelius in addition to the existing and approved operating rooms in Mecklenburg County. The discussion regarding need and projected utilization found in Criterion 3 is incorporated herein by reference. For these reasons the AHLN application is nonconforming to Criterion 6.

Criterion (7)

The Agency should find the AHLN application nonconforming to Criterion 7 due to the omission of CRNA positions in Form H. The omission of the CRNA positions is inconsistent with the previous CON application for Atrium Health Union West Project ID #F-11618-18 with two operating rooms and one C-Section room requiring 5 CRNA positions. The omission of CRNA staff positions for the operating rooms and C-Section room at AHLN cause the financial projections to be unreasonable.

Criterion (8)

The Agency should find the AHLN application nonconforming to Criterion 8 due to lack of adequate physician support for anesthesia and on-call coverage. The application provides an abundance of signed support letters from a wide range of physicians. What is lacking from these form letters is specific support regarding anesthesia professional services and the willingness and availability of any hospitalists and/or on-call physicians to support the Emergency Department. As a stand-alone hospital, the availability of these professional services is essential to offering the proposed scope of services. While Atrium Health has these specialties and services at existing hospitals at other locations in Mecklenburg County, this

circumstance does not give the applicant a waiver on conformity to CON Criterion 8. Existing providers for anesthesia at Atrium Hospitals simply have not documented their willingness or ability to provide services at the proposed AHLN hospital.

Page 9 of Section Q of the AHLN application describes how hospitalists provide inpatient care at many hospitals. However, the availability of hospitalists at AHLN is not documented.

Criterion (13c)

AHLN seeks to develop a hospital campus in the high-income region of Mecklenburg County and provide the least geographic access to the low-income households. As seen in the following table, AHLN wants to shift 80% of prospective patients in the high-income zip codes and 20% of prospective patients from the low-income zip codes.

Proposed Service Area for Atrium Health Lake Norman Patients

Primary Service Area (PSA)	AHLN Assumption % Served	Median Household Incomes*	Individuals Below Poverty Level %
28031-Cornelius	80%	\$86,027	5.80%
28035-Davidson (PO Box)	80%	No data	No data
28036-Davidson	80%	\$114,641	6.40%
28070-Huntersville (PO Box)	80%	No data	No data
28078-Huntersville	80%	\$92,707	4.50%
28115-Mooresville	80%	\$60,256	10.40%
28117-Mooresville	80%	\$85,376	6.50%
28123-Mooresville (PO Box)	80%	No data	No data
Secondary Service Area (SSA)			
28216-Charlotte	20%	\$49,440	13.70%
28269-Charlotte	20%	\$63,097	7.80%

Source: U S Census Bureau American Factfinder for Median Household Income and Percentages of Poverty

AHLN application # F-012010-20 is nonconforming to Criterion 13c because the proposed project would develop beds and operating rooms to serve substantially lower percentages of Self Pay and Medicaid patients as compared to the current Atrium Health University City.

Atrium Health University City is the closest Atrium hospital to the proposed project and already provides access to patients in northern Mecklenburg County. Therefore, the patient payor percentages for this existing facility show the extent to which medically underserved patients have historically had access to hospital services.

Historical Payor Mix for Atrium Health University City

Last Full Fiscal Year before Submission of Application
(01 / 01 / 2019 to 12 / 31 / 2019)

Payor Source	Atrium Health University City (Entire Facility)	Med Surg Beds (Service Component)	Operating Rooms (Service Component)
Self-Pay	20.4%	10.8%	10.8%
Charity Care [^]			
Medicare *	22.2%	52.6%	40.0%
Medicaid *	20.3%	13.2%	9.5%
Insurance *	33.6%	19.8%	35.8%
Workers Compensation ^{^^}			
TRICARE ^{^^}			
Other (Other Govt, Worker's Comp)	3.6%	3.6%	3.9%
Total	100.0%	100.0%	100.0%

Source: Atrium Health internal data.

*Including any managed care plans.

[^]Atrium Health's internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care. Please see Form F.3 for charity care projections.

^{^^}Workers Compensation and TRICARE are included in the Other payor category.

AHLN Project

Third Full Fiscal Year
(01 / 01 / 2026 to 12 / 31 / 2026)

Payor Source	Entire Facility or Campus	Med/Surg Beds	ICU Beds	Obstetrics Beds	Surgical Services	ED	Imaging	Lab/PT/OT/ST/Other
Self-Pay	16.6%	7.2%	7.2%	1.5%	4.1%	21.1%	9.8%	6.4%
Charity Care [^]								
Medicare*	24.7%	54.0%	54.0%	0.3%	43.1%	16.0%	25.7%	17.5%
Medicaid*	22.0%	11.9%	11.9%	28.5%	3.7%	22.2%	12.6%	26.1%
Insurance*	33.2%	23.3%	23.3%	69.3%	47.2%	36.8%	50.1%	49.2%
Workers Compensation ^{^^}								
TRICARE ^{^^}								
Other (Other Govt, Worker's Comp)	3.4%	3.6%	3.6%	0.4%	1.9%	4.0%	1.8%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Atrium Health internal data.

*Including any managed care plans.

[^]Atrium Health's internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care. Please see Form F.2 for charity care projections.

^{^^}Workers Compensation and TRICARE are included in the Other payor category.

Atrium Health University City serves 10.8% Self Pay for Med Surg Beds and 10.8% Self Pay for Operating Rooms. In contrast AHLN projects to serve only 7.2% Self Pay and 4.1% for Operating Rooms.

Atrium Health University City reports 13.2 % Medicaid for Med Surg Beds and 9.5% Medicaid for Operating Rooms. In contrast, AHLN projects to serve 11.9% Medicaid for Med Surg Beds and 3.7% for Operating Rooms. The AHLN application does not provide data and analysis to account for the lower percentages for Self-Pay and Medicaid patients at the proposed facility as compared to Atrium Health University City.

The previously-approved Projects ID #s F-11811-19, F-11812-19, and F-11815-19 all project to serve higher percentages of Medicaid patients as compared to the AHLN application. The projected payor mix for AHLN application # F-012010-20 shows that the applicant's goal is to cherry pick patients and steer the low-acuity and well-reimbursed patients to the new facility and leave behind the high acuity and unfavorably reimbursed patients for its competitors.

The applicant fails to adequately document the extent to which the medically underserved population will have access to the proposed services. The payor percentages are not based on reasonable and adequately supported assumptions.

Criterion (18a)

As discussed in the Criteria 3, 4, and 5 comments, the utilization projections are not credible and the financial projections are unreliable. Therefore, the information provided by AHLN is not reasonable and credible and does not adequately demonstrate that any enhanced competition includes a positive impact on the cost effectiveness.

Summary

To summarize reasons the Agency should deny the Atrium Health Lake Norman application:

The AHLN application is nonconforming with Criteria (1), (3), (4), (5), (6) (7), (8), (13c) and (18a).

Because it is nonconforming with the review criteria, the application cannot be approved.

The applicant has not shown it is more effective to develop 30 beds and 2 ORs at the AHLN as compared to the previously- approved Projects ID #s F-11811-19, F-11812-19, and F-11815-19 that have not yet been developed.