



March 31, 2021

Kim Meymandi, Project Analyst
Health Planning and Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health and Human Services
809 Ruggles Drive
Raleigh, North Carolina 27603

RE: Comments regarding Novant Health Forsyth Medical Center Certificate of Need (CON) Application (Project ID # G-012030-21)

Dear Ms. Meymandi:

Enclosed please find comments prepared by North Carolina Baptist Hospital (NCBH) regarding the CON application by Novant Health to relocate 13 acute care beds from Novant Health Medical Park Hospital (NHMPH) to the Kernersville Medical Center, plus add a dedicated C-section operating room. NCBH provides comprehensive medical care, including acute care and obstetric services, with exceptional patient service to residents of Forsyth County and surrounding communities. As a pre-eminent academic health system, we are currently fulfilling our mission to promote better health for all through collaboration, excellence, and innovation.

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 are compelled to express our concerns regarding the costly and unnecessary plan described in the Novant Health application. Thank you for the opportunity to submit these comments. We recognize that your decision will be based upon the State's CON objectives and review criteria. Particular focus is on the need to maintain access to care without unnecessary costs. 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. The Novant Health application fails on all accounts.

If you have any questions about the information presented here, please feel free to contact me at 336.716.1275.

Sincerely,

Jena Folger

Vice President, Network Growth, Strategy & Business Development

**COMMENTS ABOUT CERTIFICATE OF NEED PROJECT ID# G-012030-21
NOVANT HEALTH MEDICAL PARK HOSPITAL & NOVANT HEALTH FORSYTH
MEDICAL CENTER (Kernersville Campus)**

**Submitted by North Carolina Baptist Hospital
March 31, 2021**

On February 15, 2021, Novant Health submitted a Certificate of Need (CON) application to relocate 13 acute care beds from NHMPH to Novant Health Kernersville Medical Center (NHKMC), plus develop one dedicated C-section operating room at NHKMC. In accordance with North Carolina General Statute § 131E-185(a1)(1), North Carolina Baptist Hospital submits the following comments regarding the Novant Health application. These comments include *“discussion and argument regarding whether, in light of the material contained in the application and other relevant factual material, the application complies with relevant review criteria, plans, and standards”* (see N.C. General Statute § 131E-185(a1)(1)(c)). 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 Agency, in making the decision, should consider several key issues, including but not limited to, the following CON Review Criteria:

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

- (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.
- (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;
 - 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
- (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.

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

CON Review Criteria

- (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.**

The Novant Health application does not conform to Criterion (3) because Novant Health has a surplus of acute care beds in Forsyth County, and because the Novant utilization projections are based on overstated and unreasonable utilization assumptions, as discussed in the following paragraphs.

Excess Novant Health Forsyth County Acute Care Bed Capacity

Novant Health has had a substantial surplus of acute care beds over several years, even as its system in Forsyth County developed additional general acute care bed capacity (42 long-term acute care beds were reconverted back to general acute care beds and added to Novant Health Forsyth Medical Center’s (NHFMC) license, effective 12/13/2017). The chart below shows, over a six-year period, the on-going Forsyth County acute care bed surpluses generated by Novant Health, as documented in the annual State Medical Facilities Plan (SMFP).

Novant Health Forsyth County Hospital Acute Care Bed Deficit or Surplus

	2014	2015	2016	2017	2018	2019
Novant Health	(151)	(106)	(95)	(85)	(59)	(45)

Sources: 2016-2021 SMFPs
 surplus shown as
 negative

As it consistently has in the past, Novant Health currently operates with surplus acute care bed capacity. As shown in the following table, Novant Health’s Forsyth-system hospitals have annually operated at a low acute care bed occupancy rate.

Novant Health Forsyth County Acute Care Bed Utilization

	2014	2015	2016	2017	2018	2019
Novant Health Days	197,196	207,721	208,426	212,714	217,868	228,111
ADC	540	569	571	583	597	625
Existing/Approved Beds	845	845	845	845	887	887
Occupancy	63.9%	67.3%	67.6%	69.0%	67.3%	70.5%

Source: 2016-2021 SMFPs.

NHFMC does not demonstrate the need it has to relocate 13 of these excess acute care beds. As indicated on page 43 of the Novant Health application, NH Forsyth’s system-wide occupancy rate during CY2020 was only 68.9%, which is well below the acute care bed target occupancy rate of 75.2% specified in Policy AC-5 (Replacement of Acute Care Bed Capacity) in the 2021 SMFP. In 2020 Novant Health received CON approval (Project ID# G-011907-20) to develop an additional 20 acute care beds at NHFMC. Thus, Novant Health System – Forsyth County has 907 existing and approved acute care beds, and its effective Forsyth County occupancy rate in CY2020 was only 68.9% (625/907 = .6891).

More specifically, as Novant documented on Form D.1 (page 146 of the application, shown below), NHMPH had an acute care bed occupancy rate of just 37.2% during CY2020, which is far below the 2021 SMFP target occupancy rate of 66.7% for small hospitals. Following the proposed acute care bed relocation, Novant projects that the NHMPH acute care bed occupancy will still remain chronically low (only 40.2%), as shown in the table below.

NHMPH Acute Care Bed Occupancy

Form D.1 Historical and Projected Health Service Facility Bed Utilization NH Medical Park	Last Full FY	Interim Full FY	Interim Full FY	Interim Full FY	Interim Partial FY	Interim Partial FY	1st Full FY
	F: 01/01/2020 T: 12/31/2020	F: 01/01/2021 T: 12/31/2021	F: 01/01/2022 T: 12/31/2022	F: 01/01/2023 T: 12/31/2023	F: 01/01/2024 T: 03/31/2024	F: 04/01/2024 T: 12/31/2024	F: 01/01/2025 T: 12/31/2025
Acute Care Hospital - All Beds							
Total # of Beds, including all types of beds	22	22	22	22	22	9	9
# of Admissions or Discharges (discharges)	935	843	848	477	120	360	482
# of Patient Days	2,989	2,539	2,551	1,308	329	986	1,321
Average Length of Stay	3.2	3.0	3.0	2.7	2.7	2.7	2.7
Occupancy Rate	37.2%	31.6%	31.8%	16.3%	16.4%	40.0%	40.2%

It behooves the Agency to evaluate the degree to which the capacity of Novant Health, with its existing facilities, represents a surplus or deficit, as compared to need based on patient demand. Such an evaluation of need is necessary to determine the degree to which applicants that are existing facilities may have surplus capacity, as avoiding excess capacity is a foundational finding of the North Carolina CON statute. The Certificate of Need Statutory Findings of Fact 4 and 6 state:

4) *“That the proliferation of unnecessary health service facilities results in costly duplication and underuse of facilities, with the availability of excess capacity leading to unnecessary use of expensive resources and overutilization of health care services.”*

6) *“That excess capacity of health service facilities places an enormous economic burden on the public who pay for the construction and operation of these facilities as patients, health insurance subscribers, health plan contributors, and taxpayers.”*

See § 131E-175. Findings of Fact on page 383 of the 2021 SMFP. As stated in the statute, excess capacity leads to unnecessary use of expensive resources, overutilization of healthcare services, and an economic burden on the public.

In addition, Novant Health has several flaws in the specific assumptions it used to project acute care bed utilization. Every applicant must make assumptions in developing projections of future utilization, and is generally free to do so as it wishes. However, in the case of its CON application, Novant Health used several key assumptions, each of which was overly aggressive and unrealistic, and all of which combined Novant Health needed in order to generate the rosy scenario portrayed in its application. Each faulty assumption is discussed in turn below.

Overstated and Unreasonable Utilization Assumptions

The Novant methodology assumptions for acute care bed utilization are unreasonable for multiple reasons, including:

- Novant’s overall acute care bed volume projections are overstated because the application excludes the actual decline in volumes due to COVID-19 during 2020. Novant acknowledges this decline in its application, showing a 2.8% decline in acute care days of care between CY2019 and CY2020, as portrayed below.

NH System – Forsyth County Acute Care Days of Care

Hospital	CY 2019	CY 2020	Percent Change
NH Forsyth	208,648	201,662	-3.3%
NH Kernersville	10,898	11,373	4.4%
NH Clemmons	4,679	4,451	-4.9%
NH Medical Park	2,517	2,989	18.8%
NH System - Forsyth County	226,742	220,475	-2.8%

Source: IBM CY 2019, CY 2020 Internal Data. SMFP Methodology for Calculating Acute Care Days (Exhibit C-2)

However, Novant then determined to completely ignore its CY2020 utilization. Instead, Novant states (on page 53 of its application) that *“this application used the total acute care patient day projections from CON Project ID# G-011907-20) to project acute care volumes at each NH hospital in Forsyth County”*. Therefore, the Novant acute care bed utilization projections are founded on a previous methodology, utilizing older data, that ignores and makes no allowance for the impact of actual CY2020 acute care bed utilization.

- The foundation for Novant Health projecting its acute care bed utilization on data from 2019 and earlier is fatally damaged when one considers the impact of recent obstetrics market share data. As shown in the following table, Novant Health is losing market share in the obstetrics service line, primarily due to NCBH offering low-risk obstetrics service in July 2019. As the following table shows, in 2019 NHFMC had 71.9% market share,

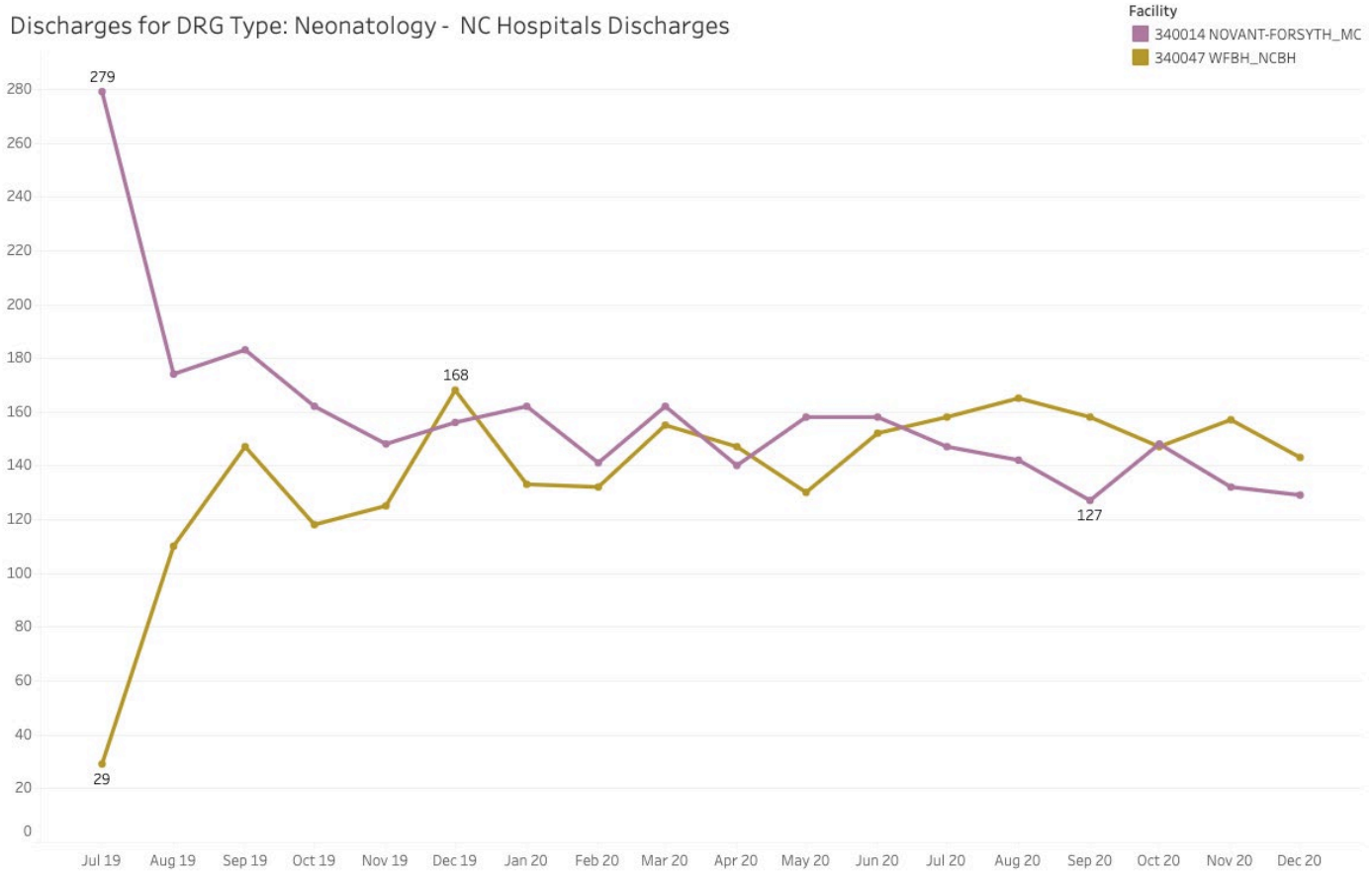
which has fallen to 46.7% in early 2021. Thus, Novant’s projected obstetrics utilization, based upon 2019 data, is not realistic in projecting forward without any accounting for the recent and ongoing Novant Health market share decline.

Market Share for Obstetrics Service Line

Facility Name	Market Share			
	IP	IP	IP	IP
	2018	2019	2020	2021 (Q1)
Forsyth Med Ctr	69.41%	71.89%	51.29%	46.72%
Moses Cone - Greensboro	23.90%	22.61%	25.46%	28.51%
WF Baptist Med Ctr	0.00%	0.20%	17.90%	20.49%
High Point Med Ctr	5.35%	4.07%	3.69%	2.46%
Davis Reg	0.19%	0.41%	0.37%	0.00%
Duke University	0.00%	0.61%	0.18%	0.00%
Alamance Reg	0.19%	0.00%	0.37%	0.00%
University of NC	0.19%	0.20%	0.00%	0.00%
Thomasville Med Ctr	0.19%	0.00%	0.18%	0.00%
Rex	0.19%	0.00%	0.00%	0.00%
University (CHS)	0.19%	0.00%	0.00%	0.00%
CaroMont	0.00%	0.00%	0.18%	0.00%
Lake Norman Reg	0.19%	0.00%	0.00%	0.00%
Watauga Med Ctr	0.00%	0.00%	0.00%	0.82%
Presbyterian	0.00%	0.00%	0.18%	0.00%
New Hanover Reg	0.00%	0.00%	0.18%	0.00%
Grand Total	100.00%	100.00%	100.00%	100.00%

Source: NCBH, via NC Hospital Association Patient Data System

The following graph portrays the steep and steady decline in obstetric volume at NHFMC and the simultaneous volume increase at NCBH between July 2019 and December 2020.



- In the 2020 CON application that Novant Health indicates served as the foundation for its utilization projections in this 2021 application, Novant’s assumption that NHFMC will have 55% of the total women’s health discharges through the third project year is not reasonable and is not supported. As shown in the previous table, the NHFMC obstetrics market share has decreased to 46.7%. Therefore, 55% is not a realistic assumption for this competitive marketplace. Please see the following table which shows the impact on Table 6 of a still generous 50% assumption instead of Novant’s unreasonable 55% share.

Table 6
Projected NH Forsyth Women’s Health Services Acute Care Patients

	2020	2021	2022	2023	2024	2025	2026
Combined Discharges	8,139	8,229	8,320	8,412	8,505	8,599	8,694
NHF share	50%	50%	50%	50%	50%	50%	50%
NHF Discharges	4,070	4,115	4,160	4,206	4,253	4,300	4,347
ALOS	3.01	3.01	3.01	3.01	3.01	3.01	3.01
NHF Women's DOC	12,249	12,385	12,522	12,660	12,800	12,941	13,084

Based upon 50% market share instead of 55%, NHFMC’s projected 2026 women’s health days of care is 13,084, or 9.1% lower than the application projection of 14,394 days of care. For these reasons, Novant’s projected women’s health days of care is not supported, and thus the projected obstetrics utilization in Novant’s 2021 CON application is not justified.

- In the 2020 CON application that Novant indicates served as the foundation for its utilization projections in this 2021 application, Novant Health’s assumption that the growth rate for acute care discharges at NHKMC will increase 5.9% annually through the third project year is unrealistic and is not supported. On page 118 of its 2020 application Novant claims that 7.9% is a reasonable basis for a projection of future demand at the facility, but that it reduced this to 5.9% to show “*an extremely conservative and unrealistically low demand projection*”. In healthcare planning, a 5.9% annual acute care service growth rate for seven consecutive years is generally considered to be neither extremely conservative nor unrealistically low. In fact, acute care discharges at NHKMC increased less than 1% (0.57%) from 2018 to 2019, as shown in Table 12 on page 117 of NHFMC’s 2020 application, stark evidence that 5.9% is not a reasonable assumption for that facility, and certainly not in a competitive marketplace. For purposes of illustration, even generously assuming a 5.9% growth rate in 2020, and then decreasing that by 10% each year through 2026, projected NHKMC annual days of care are significantly lower. Please see the following table which shows the substantive impact on Table 13 of a moderated (but still unreasonably high discharge growth rate) assumption instead of the implausible annual 5.9%.

Table 13
NHKMC Projected Acute Care Discharges and Days

	2020	2021	2022	2023	2024	2025	2026
Discharges	3,339	3,516	3,684	3,843	3,992	4,131	4,260
Growth Rate	5.9%	5.3%	4.8%	4.3%	3.9%	3.5%	3.1%
ALOS	3.46	3.46	3.46	3.46	3.46	3.46	3.46
KMC DOC	11,553	12,166	12,748	13,296	13,811	14,292	14,740

Based upon a steadily declining growth rate ranging from 5.9% to 3.1% instead of 5.9% each year, Novant’s projected 2026 NHKMC days of care is 14,740, or 9.6% lower than the application projection of 16,297 days of care. For these reasons, Novant’s projected NHKMC days of care is not supported, and thus the projected NHKMC acute care bed utilization in Novant’s 2021 CON application is not justified.

- Also in the 2020 CON application that Novant indicates served as the foundation for its utilization projections in this 2021 application, Novant’s assumption that the growth rate for acute care discharges at NHMPH will increase 0.5% annually through the third project year is arbitrary and is not supported. On page 121 of its 2020 application, Novant shows that acute care discharges at NHMPH steadily decreased at a compound annual growth rate of -2.8% from CY2016 through CY2019. Days of care decreased at an even faster rate (-8.6%) during this same time period, as shown in Table 18 of the application. There is simply no reasonable basis for assuming that this steady historical decline will immediately convert into a positive discharge growth rate, beginning in CY2020 and continuing for seven consecutive years. Even generously assuming a -2.8% growth rate in 2020 (consistent with the most recent 3-year CAGR), and then reducing by 10% each year through 2026, the projected NHMPH days of care are substantively lower than calculated in Novant’s 2020 application. Please see the following table which shows the impact on Table 19 of a more realistic discharge growth rate assumption instead of the wishful annual 0.5%.

Table 19
Projected NH Medical Park Hospital Acute Care Patients and Days

	2020	2021	2022	2023	2024	2025	2026
Discharges	812	791	773	757	744	731	720
Growth Rate	-2.8%	-2.5%	-2.3%	-2.0%	-1.8%	-1.7%	-1.5%
ALOS	3.01	3.01	3.01	3.01	3.01	3.01	3.01
MPH DOC	2,443	2,381	2,327	2,280	2,238	2,201	2,168

Based upon historically more realistic growth rates ranging from -2.8% to -1.5% instead of 0.5% each year, Novant Health’s projected 2026 NHMPH days of care is 2,168, or 16.7% lower than the application projection of 2,603 days of care. For these reasons, Novant’s projected NHMPH days of care is not supported, and thus the projected NHMPH acute care bed utilization in Novant’s 2021 CON application is not justified.

Novant Health based the population of women who would deliver at NHKMC on patient origin of acute care patients at NHKMC and not the women who use the current obstetrics clinic in Kernersville. On page 47 of its application, Novant Health states that for projecting the patient origin for obstetric beds, *“the Applicants assumed NH Kernersville’s past patient origin percentages for total acute care patients by County. . . it is not expected to be materially different from other established acute care services at NH Kernersville.”* The projected high Medicaid payor mix for the NHKMC obstetric service is itself evidence of the unreasonableness of the Novant projections. Because NHKMC and NHFMC serve different markets, and have different

patient origin and demographics, this application statement itself validates how the Novant projection is unreasonable. Therefore Novant Health did not reasonably project utilization for the proposed acute care bed relocation and for development of a dedicated C-section OR.

Novant Health fails to demonstrate that the population has a need for this project. The Novant application does not conform to Criterion (3) due to its on-going surplus of acute care beds and associated low bed occupancy rate, and overstated and unreasonable acute care bed utilization projections.

(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 acute care beds to a facility (NHKMC) which provides low Medicaid access. This proposal will result in less access for medically underserved persons in Forsyth County. This is highly significant because Novant Health is proposing to develop a new obstetric service at NHKMC, and labor and delivery services tend to have a high Medicaid component.

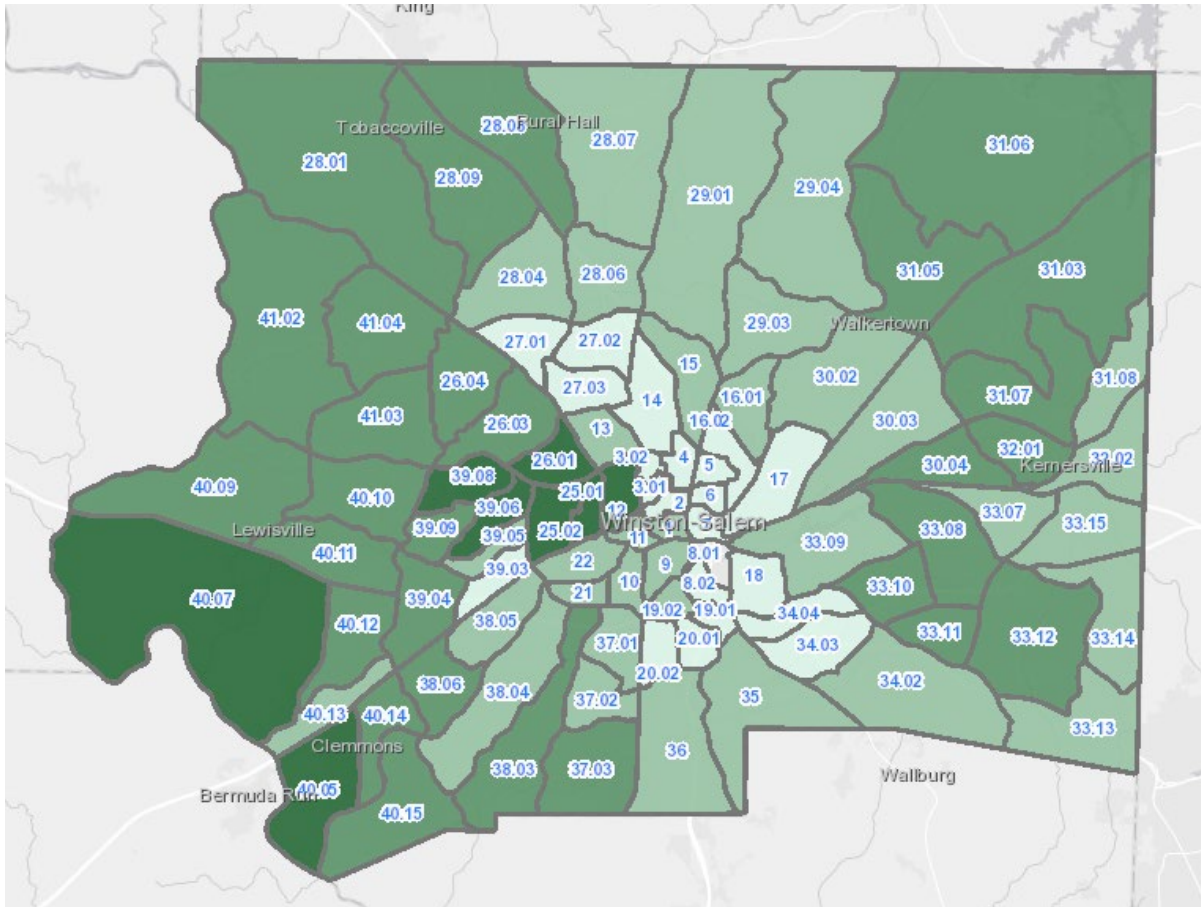
NHKMC Medicaid Access

Payor Source	NHKMC
Medicaid	10.4%

Source: Novant CON application, page 106.

The map below portrays 2020 median household income by census tract in Forsyth County, and readily shows that the Kernersville area is much more affluent than is Winston-Salem.

Forsyth County Median Household Income by Census Tract



Sources: Forsyth County GIS, US Census Bureau

Novant Health did not reasonably project the obstetric service payor mix for NHKMC. On page 156 of its application, Novant Health states “*the projected payor mix for the obstetric service component was calculated from the CY2019 normal newborn deliveries at NH Forsyth.*” Yet as shown in the table below, the Medicaid payor mix at NHFMC is over 40% higher than the Medicaid payor mix at NHKMC.

Comparison of Medicaid Access

Payor Source	NHFMC	NHKMC
Medicaid	14.6%	10.4%

Sources: NHKMC from CON application, page 106. NHFMC from cardiac cath CON application, page 77.

This obstetric service payor mix is not realistic because Novant Health’s proposal will relocate Winston-Salem acute care beds, which are currently well located for providing a high percentage of Medicaid services, to a more affluent suburban market where high Medicaid access is problematic. NHFMC serves a different patient population than does NHKMC. Given

NHKMC’s location in an affluent market located on the border of Forsyth County/Guilford County, it is highly unlikely that such a large percentage of projected births at NHKMC will be Medicaid patients, because the Kernersville location is more affluent than Winston-Salem, and because transportation will be problematic for Medicaid patients accessing obstetric services in Kernersville.

Relocating acute care beds to NHKMC and proposing nearly half of the beds to be deployed as labor/delivery/post-partum/recovery (LDRP) beds, will have a negative impact on the medically underserved, low-income population of Forsyth County. Kernersville (and in particular, zip code 27284, which hosts NHKMC) has much higher median and average household incomes than does Winston-Salem (home of NHMPH), and also has a significantly lower percentage of families living below the federal poverty level, as shown on the following table.

Income & Poverty Comparison of Winston-Salem & Kernersville

Income & Poverty	Winston-Salem	Kernersville	27284
Median Household Income	\$45,750	\$51,645	\$62,588
Average Household Income	\$71,423	\$72,938	\$79,553
Persons in Poverty	20.7%	12.2%	9.2%

Sources: U.S. Census Bureau QuickFacts for Winston-Salem & Kernersville, referenced March 16, 2021, www.incomebyzipcode.com/northcarolina/27284 and www.city-data.com/zips/27284

The following table portrays the median household income by age of householder, showing that, across the board for each age cohort, Kernersville, and particularly zip code 27284, has much higher median household income than does Winston-Salem.

Median Household Income Comparison

Median Household Income	Forsyth County	Winston-Salem	Kernersville	27284
Householder < age 25	\$25,176	\$23,364	\$32,973	\$36,038
Householder age 25 -44	\$51,728	\$46,163	\$49,345	\$69,590
Householder age 45 -64	\$64,373	\$54,154	\$75,159	\$80,600
Householder age 65+	\$41,899	\$40,318	\$37,289	\$42,330

Source: www.incomebyzipcode.com/northcarolina/27284

Novant Health’s proposal will relocate Winston-Salem acute care beds, which are well located to providing a high percentage of Medicaid services, to a more affluent suburban market. The household income data demonstrates that there would be detrimental impact on low income

persons to access these acute care beds if they were moved to NHKMC. Medicaid patients and many Forsyth County residents with fewer economic resources would reside further from these acute care beds. The end result would be a decrease in access to acute care beds for Forsyth County residents with lower incomes.

The composition of racial distribution in Forsyth County further demonstrates that the proposed project is not the most effective alternative in terms of increasing access to healthcare services for Forsyth County's medically underserved residents. For example, Winston-Salem, which hosts NHMPH, has a comparatively much higher composition of African Americans (34.9%) than Kernersville (13.9%), and particularly zip code 27284, which includes NHKMC and has only 9.8% African Americans. Therefore, access to healthcare services for racial and ethnic minorities will be harmed by the reduction of capacity if Novant Health relocates the NHMPH acute care beds to the less diverse far edge of Forsyth County.

Race & Ethnic Origin Comparison

Race & Origin %	Forsyth County	Winston-Salem	Kernersville	27284
Black or African-American	27.5%	34.9%	13.9%	9.8%
Hispanic or Latino	13.3%	15.0%	12.3%	8.0%
Asian	2.6%	2.5%	1.8%	1.6%
White	66.6%	56.6%	77.6%	78.8%

Source: U.S. Census Bureau QuickFacts for Forsyth County, Winston-Salem & Kernersville, referenced March 16, 2021, & city-data.com/zips/27284

In summary, Novant Health did not adequately demonstrate that the needs of the population presently served will be met adequately by the proposed relocation because this population, particularly low income persons, racial and ethnic minorities and other underserved groups, will have less access to acute care beds upon completion of the proposed project. Therefore, the application is not conforming to Criterion (3a).

(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.

Novant Health failed to substantiate that it has proposed the least costly or most effective alternative. With a capital cost in excess of \$44 million, the project is certainly not the least costly alternative. In Section E (page 85) of its application, Novant claims that there are no alternatives to the proposed project. However, it is unreasonable for Novant to not bother to consider and describe any potential alternatives. Novant Health has not justified the need to spend \$44 million simply to relocate a few existing licensed acute care beds. Also, as described previously, Novant Health does not demonstrate that the projected acute care utilization is based on reasonable and supported assumptions. Therefore, because the application does not

demonstrate need for the proposed services, it cannot be an effective alternative, and the application is thus not conforming to Criterion (4).

In summary, the application is not conforming to all applicable statutory and regulatory review criteria. See Criteria (3), (3a), (5), (6), (12), (13a), (13c), and (18a). Therefore, Novant Health 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.

Because Novant Health did not reasonably demonstrate the need for the proposed project (see Criterion 3), Novant did not demonstrate the financial feasibility of the proposal, and the Novant Health application is therefore non-conforming to Review Criterion (5).

Further, the NHKMC financial projections are based on a faulty payor mix assumption. On page 156 of its application, Novant Health states *“the projected payor mix for the obstetric service component was calculated from the CY2019 normal newborn deliveries at NH Forsyth.”* However, this is not a reasonable projection. As shown in the table below, the overall Medicaid payor mix at NHFMC is over 40% higher than the Medicaid payor mix at NHKMC.

Comparison of Medicaid Access

Payor Source	NHFMC	NHKMC
Medicaid	14.6%	10.4%

Sources: NHKMC from CON application, page 106. NHFMC from cardiac cath CON application, page 77.

As discussed elsewhere in these comments, Novant Health’s proposal will relocate Winston-Salem acute care beds, which are currently well located to providing high percentage Medicaid services, to a more affluent suburban market where high Medicaid access is problematic. Given NHKMC’s location in an affluent market located at the border of Forsyth County and Guilford County, it is highly unlikely that such a large percentage of projected births at NHKMC will be Medicaid patients. In fact, on page 47 of its application, Novant Health states that for projecting the patient origin for obstetric beds, *“the Applicants assumed NH Kernersville’s past patient origin percentages for total acute care patients by County. . . it is not expected to be materially different from other established acute care services at NH Kernersville.”* Because NHKMC and NHFMC serve different markets, and have different patient origin and demographics, this application statement itself validates how the Novant payor mix projection is unreasonable. Therefore Novant Health did not reasonably project the financial projections for the proposed acute care bed relocation and for development of a dedicated C-section OR.

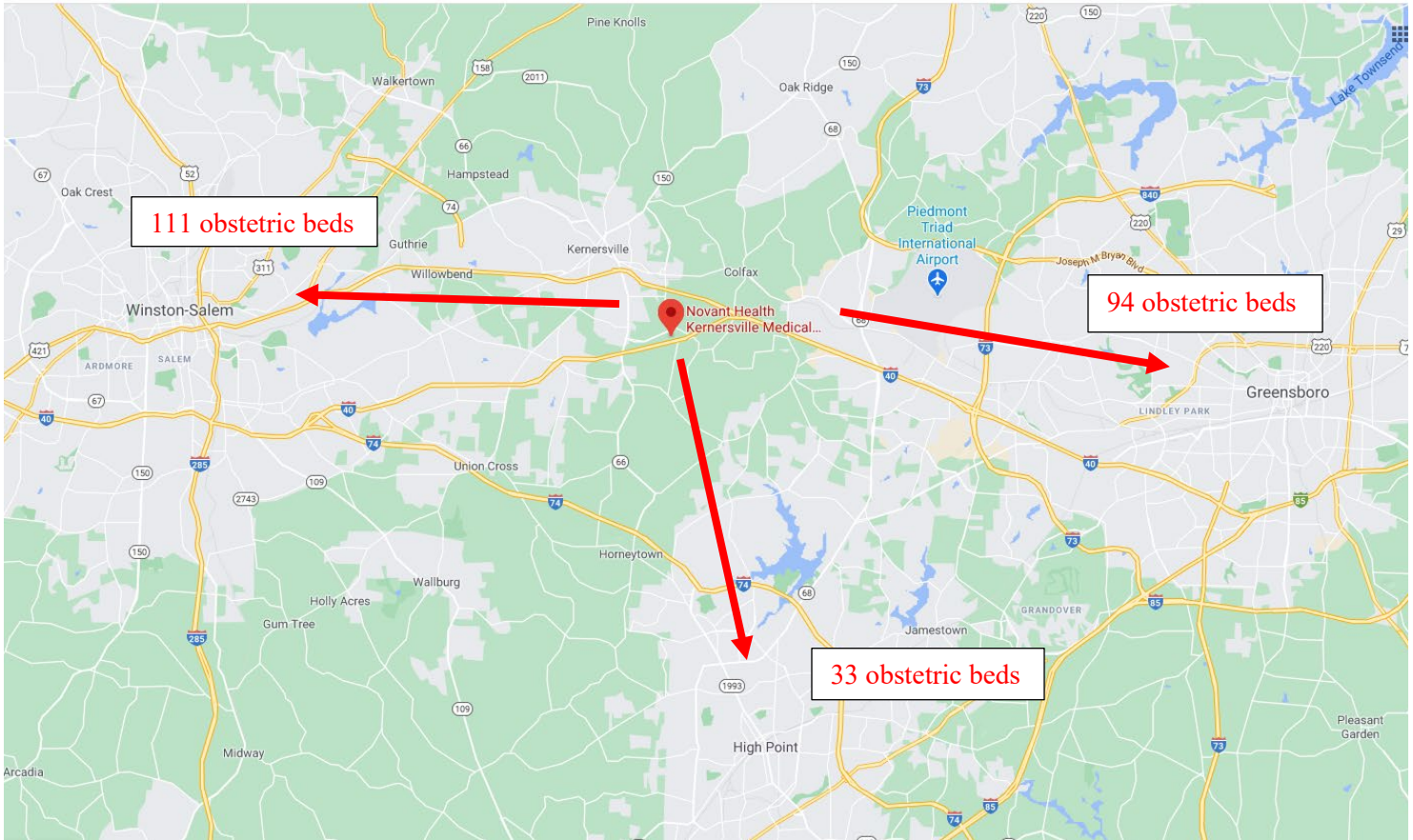
Also, in its application, Novant Health did not provide Forms F.2 and F.3 for the acute care beds at NHMPH nor at NHFMC, but only for NHKMC. One could argue that this is contrary to the application form instructions in Section F.4b, which directs hospital applicants to complete the revenue and operating cost forms not solely for each hospital service included in the proposal, but also for “*the entire hospital facility if the proposal involves developing a new campus of an existing facility*” (page 90 of Novant application). Novant Health is proposing to develop a new campus for its obstetric service: its CON application does not include Forms F.2a/b and F.3a/b for the NHFMC obstetric service, and thus provides no information regarding the financial impact of the proposal on the continuing obstetric services at the NHFMC Winston-Salem campus. And Novant Health is projecting to maintain just nine acute care beds at NHMPH. The Novant application provides no financial statements or other documentation of the financial impact of the proposed bed relocation on NHMPH. Therefore, Novant Health did not demonstrate the long-term financial feasibility of the proposal, based upon projections of the costs and charges, and 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.

Novant Health failed to demonstrate the need it claims to relocate part of its excess Forsyth County acute care bed capacity from one facility to another. As indicated on page 43 of its application, NH System – Forsyth County’s occupancy rate during CY2020 was only 68.9%, which is well below the Policy AC-5 target occupancy rate of 75.2%. As described in the comments related to Criterion (3), Novant Health failed to demonstrate the need it has to relocate 13 acute care beds and to develop a new dedicated C-section operating room. Therefore, the Novant Health application does not demonstrate that the proposal is not unnecessarily duplicative of existing health service capabilities and facilities, and is non-conforming to Review Criterion (6).

In addition, Novant Health is proposing to relocate acute care beds to Kernersville (the farthest edge of Forsyth County, adjacent to the Guilford County border), whose residents already have abundant access to acute care beds and obstetric services from a variety of nearby local providers. As shown on the following map, Kernersville is located proximate to Winston-Salem, Greensboro and High Point. Specifically, large, established labor and delivery programs exist at High Point Medical Center (33 obstetric beds) in High Point, Cone Health Moses Cone Hospital (94 obstetric beds) in Greensboro, and of course, in Winston-Salem at both NHFMC (81-bed obstetric unit) and NCBH (30-bed obstetric unit). Novant Health did not demonstrate that sufficient obstetric capacity does not currently exist to serve patients in Kernersville, and that patients do not currently have adequate access to the proposed services. Indeed, development of an additional labor and delivery service in Kernersville will merely duplicate the many labor and delivery programs which are already conveniently available to Kernersville residents.

Kernersville Proximity to Local Obstetric Services



For these reasons, the Novant Health application does not demonstrate that it is not unnecessarily duplicative, and is non-conforming to Review Criterion (6).

- (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.**

NHFMC proposes to spend over \$44 million to develop the proposed project, including over \$28 million to construct/renovate spaces at NHKMC to accommodate unneeded acute care beds, observation beds, and a new dedicated C-section operating room. This is a tremendously expensive project that has dubious prospects for having a positive impact on the community. At a time when health care payors and consumers have increasing concerns about the high cost of health care, Novant Health has not demonstrated that the cost of the proposal represents the most

reasonable alternative, and that the construction project will not unduly increase the costs of providing health services in Forsyth County.

Novant also proposes addition of five observation beds to the 10 observation beds already in use at NHKMC, even though in CY2020 NHKMC observation days totaled 2,247 days (application page 145). Assuming a target occupancy rate of 66.7%, in CY2020 NHKMC demonstrated a need for the 10 observation beds it currently has (6.1 beds / 66.7% = 9.23 beds). However, given Novant Health's unreasonable projection of acute care bed days of care, and Novant's application of a ratio of observation bed days to acute care bed days, the projected 50% increase in observation days at NHKMC is not warranted, and therefore the cost of developing the additional observation beds has not been demonstrated, and will unduly increase the cost of providing health services.

As described earlier with regard to review Criterion (4), Novant Health's application claimed that there are no alternatives to consider. Therefore, Novant Health has not demonstrated that the construction cost will not unduly increase the costs of providing health services, and therefore, the application is not conforming to Criterion (12).

- (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 its proposed relocated acute care beds will serve the medically underserved populations to the same level as the percentage of the Forsyth County population which is medically underserved. Specifically, NHKMC's historical Medicaid payor mix of 10.4% (p. 106) is lower than the 15.2% of Forsyth County residents who are living below the Federal poverty level (per US Census Bureau), and lower than the historical Forsyth County Medicaid eligible mix of 24.15% (per North Carolina Medicaid)¹.

This is reinforced by reviewing the FY2020 payor mix for NCBH, which is illustrative of the difference between the Kernersville market and the primary service area of Forsyth County. As shown in the tables below, patients originating from Kernersville have a much lower Medicaid payor mix.

¹ <https://medicaid.ncdhhs.gov/documents/reports/enrollment-reports/medicaid-and-health-choice-enrollment-reports>

Comparison of FY2020 Payor Mix for Patients Originating from Kernersville Versus Primary Service Area

Kernersville Payor Type	%
OP	91.05%
Commercial	42.72%
Medicare	35.96%
Medicaid	9.87%
Self-Pay	7.34%
All Other	4.11%
IP	8.95%
Medicare	47.22%
Commercial	29.86%
Medicaid	12.82%
All Other	5.21%
Self-Pay	4.88%
Grand Total	100.00%

Primary Service Area Payor Type	%
OP	91.21%
Commercial	34.72%
Medicare	37.01%
Medicaid	18.13%
All Other	3.67%
Self-Pay	6.47%
IP	8.79%
Medicare	40.93%
Commercial	23.66%
Medicaid	21.82%
All Other	5.70%
Self-Pay	7.89%
Grand Total	100.00%



Source: NCBH internal data.

- 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 following table, Novant is proposing to develop a new obstetric service at a facility (NHKMC) which provides significantly lower Medicaid access than does the obstetric unit at NHFMC.

Comparison of Medicaid Access

Payor Source	NHFMC	NHKMC
Medicaid	14.6%	10.4%

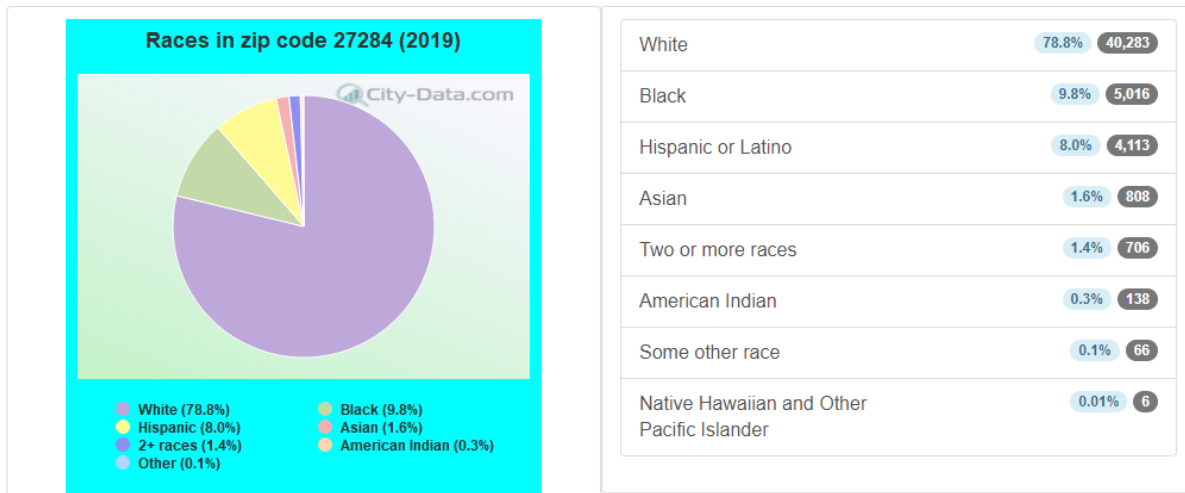
Sources: NHKMC from CON application, page 106. NHFMC from cardiac cath CON application, page 77.

Novant Health's proposal will relocate Winston-Salem acute care beds, which are currently well located to providing high percentage Medicaid services, to a more affluent suburban market where high Medicaid access is problematic. With regard to obstetric services, the large Winston-Salem NHFMC facility provides efficiencies of scale for lower income and racial minorities in one location. The medical specialists and equipment needed to serve this population are typically based around the large medical center. Moving obstetric resources out to the more affluent, less diverse suburbs goes against protecting the medically indigent as identified in the State Health Plan. As one example, transportation can be challenging for low income persons

and for racial minorities, who may not have access to a car. Winston-Salem Transit Authority has several bus lines that travel within Winston-Salem to NHFMC. However, access via public transit in or to Kernersville is much more limited.

As previously described in response to Criterion (3a), access to healthcare services for racial and ethnic minorities will be harmed by Novant's proposed reduction of bed capacity if NHMPH moves acute care beds to the less diverse far edge of Forsyth County. Kernersville, and particularly zip code 27284, is much less racially and ethnically diverse than both Winston-Salem and Forsyth County.

Races in Zip Code 27284



For all these reasons, 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.

Novant Health is nonconforming with Criterion (18a) because competition already exists to provide obstetrics services Novant proposes to provide. The Novant Health proposal does not positively enhance competition in the service area because Novant is only proposing to serve obstetrics patients who already go to Novant Health.

As the Novant Health application is non-conforming with Criteria (3), (3a), (4), (5), (6), (12), (13a) and (13c), the application should thus also be found non-conforming with Criterion (18a).

Novant Health did not reasonably demonstrate the need the population projected to be served has for the proposed project, did not demonstrate that the relocation of acute care beds will not negatively impact the ability of low income persons, racial and ethnic minorities, and other underserved groups to obtain needed health care, did not demonstrate its proposal is the least costly or most effective alternative, did not demonstrate the financial feasibility of the project, and did not adequately demonstrate that its proposal would not result in unnecessary duplication of services. Thus, the proposed Novant Health project will not have a positive impact on cost effectiveness and on access to services.

Further, NHFMC did not demonstrate that the proposed project will have a favorable impact on quality of services. Hospitals and other healthcare facilities perform a wide variety of procedures on patients every year. Because of the high cost of health care and its impact on government budgets, health care providers will continue to receive scrutiny in terms of cost, quality and access.

The American College of Obstetricians and Gynecologists (ACOG) published Maternal Levels of Care guidelines to reaffirm that the goal of levels of maternal care is to reduce maternal morbidity and mortality². It is important that every maternity hospital has the personnel and resources to care for unexpected obstetric emergencies, that risk assessment is judiciously applied, and that consultation and referral are readily available when high-risk care is needed. These relationships enhance the ability of women to give birth safely in their communities while providing support for circumstances when higher level resources are needed.

With regard to staffing, the number of trained obstetricians and highly trained staff needed for obstetrics care is similar to an ICU. Development of a new and small obstetrics facility within Forsyth County dilutes the available staffing resources, and thus limits the ability to provide care to the current population of women. This Novant Health proposal has potential to decrease the quality of obstetrics care impacted by availability of qualified staff.

There have been hundreds of studies about the impacts of volume on quality in the delivery of health care. Generally, scientific studies conclude that volume is linked to quality of care. There is merit to the adage “practice makes perfect”. This is the case with regard to obstetrics; the association between institutional volume and obstetric outcomes has been demonstrated. A few examples:

- 2013 study in the American Journal of Obstetrics and Gynecology finds an inverse association between hospital obstetric volume and birth asphyxia³.
- 2016 study in the American Journal of Perinatology finds higher odds of postpartum hemorrhage (PPH) in low-volume hospitals⁴.

² <https://www.acog.org/clinical/clinical-guidance/obstetric-care-consensus/articles/2019/08/levels-of-maternal-care>

³ Jonathan M. SNOWDEN, PhD, Yvonne W. CHENG, MD, PhD, Caitlin KONTGIS, MS, and Aaron B. CAUGHEY, MD, PhD: The Association between Hospital Obstetric Volume and Perinatal Outcomes in California, American Journal of Obstetrics and Gynecology, 2012 Dec, 207(6): 478.e1-478.e7.

⁴ Kozhimannil, Katy B.; Thao, Viengneese; Hung, Peiyin; Tilden, Ellen; Caughey, Aaron B.; Snowden, Jonathan M.: Association between Hospital Birth Volume and Maternal Morbidity among Low-Risk Pregnancies in Rural, Urban and Teaching Hospitals the United States, American Journal of Perinatology, 33(06), May 2016, 590-599

- 2017 study in the American Journal of Obstetrics and Gynecology finds increasing maternal risk at hospitals performing <1,000 deliveries per year⁵.

Thus, it is concerning that Novant Health is proposing to relocate acute care beds in order to establish a small NHKMC obstetric service, where labor and delivery volume will be significantly lower than at NHFMC. From a quality of care perspective, the Novant Health proposal does not demonstrate a favorable impact on quality of care, and therefore is not conforming to Criterion (18a).

Summary

For all of the foregoing reasons, the Agency should deny the Novant Health application: the application is nonconforming with Criteria (3), (3a), (4), (5), (6) (12), (13a), (13c) and (18a). Because it is nonconforming with the review criteria, the Novant Health application cannot be approved.

⁵ Mark P Hehir, Cande V Ananth, Jason D Wright, Zainab Siddiq, Mary E D'Alton, Alexander M Friedman, Am J Obstet Gynecol, 2017 Feb;216(2):179.e1-179.e12.