

Written Comments on Columbus Regional East's CON Application for a New Campus with Relocated Acute Care Beds & ORs

Submitted by Novant Health, Inc.

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Introduction

1. Columbus Regional Healthcare System (CRHS) submitted a CON application to develop Columbus Regional East ("Columbus East"), a campus of CRHS. CRHS proposes to relocate 30 licensed acute care beds and one operating room (OR) from its existing Whiteville campus to establish the hospital. Novant Health Inc. submits these comments regarding the Columbus East application pursuant to N.C. Gen. Stat. § 131E-185(a)(1).

2. The Columbus East application relies on several arbitrary and unsupported assumptions regarding service area, acuity appropriate services, and market share that render the purported need for the hospital and its utilization projections unreasonable. Furthermore, the Columbus East application does not rely on publicly available data or industry standards for these assumptions and does not supply the CON Agency with sufficient information to verify the reasonableness of their assumptions. As such, the proposed application is non-conforming with Criterion 3, Criterion 4 and Criterion 5.

Criterion 3

G.S. 131E-183(a)(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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed."

3. Columbus East's application is non-conforming with Criterion 3, as it does not establish a reasonable service area or show residents in its service area need the services proposed in its application. Columbus East's CON application and its projected patient volumes rely on several assumptions that are unreasonable and inadequately supported, the most egregious of which are:

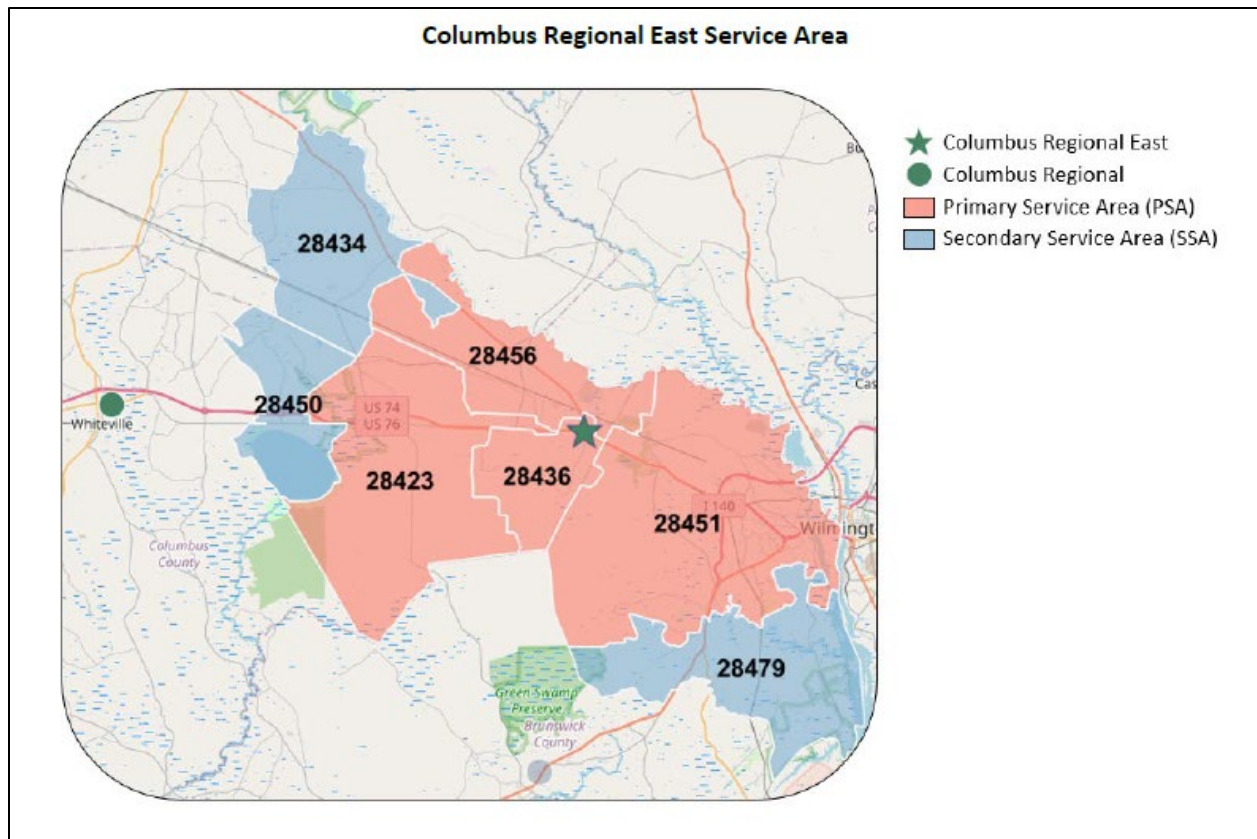
- Columbus East’s service area is not based on reasonable assumptions and does not consider the current healthcare landscape.
- The 154 acute care beds in the CRHS hospital in Whiteville (Columbus County) are chronically underutilized, with under 45% occupancy over the past seven years. CRHS has no historical basis for projecting 69.2% occupancy at Columbus East.
- Columbus East’s market share assumptions are unreasonably aggressive and inadequately supported, particularly in the secondary service area.
- In addition to the major errors in its assumptions regarding the demand for services at its proposed hospital, Columbus East failed to provide adequate support for the scope of services it includes in its application, as it does not provide a definition of “acuity appropriate” patients.

Each issue is discussed below.

The Service Area is Unreasonable

4. The map below shows Columbus East’s proposed service area. In CRHS’ words, “Stretching more than 50 miles from southeast to northwest, this sprawling region”¹ consists of seven zip codes.

¹ Columbus East CON Application, page 49.



5. The application does not explain why a 30-bed hospital that would offer no services not already offered at CRHS would draw patients from such a “sprawling region.” The proposed service area does not consider the existing healthcare landscape. The map in the CON application only shows the proposed Columbus East site and the CRHS main campus. It fails to show Novant Health New Hanover Regional Medical Center, located across the river in Wilmington or Novant Health Brunswick Medical Center, located in Brunswick County.

6. Columbus East only materially improves drive times to acute care services in only three of its seven service area zip codes. The proposed Columbus East will not meaningfully improve geographic access to an acute care hospital for residents in PSA zip code 28423 or in any of the secondary service area zip codes. The table below shows the driving time from the weighted population centroid² of each zip code to the proposed Columbus East site and to

² For this analysis, the U.S. Department of Housing and Urban Development’s ZIP Code Population Weighted Centroids were relied upon. According to HUD, “The ZIP Code Population Weighted Centroids allows researchers and analysts to estimate the center of population in a given geography rather than the geometric center.” Data available at: <https://data.lojic.org/datasets/HUD::zip-code-population-weighted-centroids-1/explore?location=23.380490%2C59.993875%2C2.42&showTable=true>

several other area hospitals. Using the weighted population centroid (the center of population) rather than the geographic centroid better reflects driving time for residents of each zip code to each hospital. As the table shows, driving time for residents of zip codes 28436, 28451 and 28456 is significantly shorter to Columbus East than to any other area hospital. However, the driving time for residents of 28423 and 28434 is not meaningfully shorter than the existing drive time to CRHS. CRHS is closer for residents of 28450 than Columbus East, and NH New Hanover is slightly closer for residents of 28479.

Driving Time from Service Area Zip Codes to Area Hospitals

Zip Code	PSA/SSA	Novant Health Brunswick	Novant Health New Hanover	CRHS	Columbus Regional East
28423	PSA	37	43	25	25
28436	PSA	38	32	31	13
28451	PSA	26	22	45	9
28456	PSA	40	36	29	9
28434	SSA	47	53	30	29
28450	SSA	37	45	12	19
28479	SSA	35	32	61	34

Source: Google Maps, HUD

7. While Columbus East acknowledges that NH New Hanover “is the nearest hospital for residents of Delco, Leland, and other nearby communities” it contends that proximity “does not always equate to shorter drive times or patient preference.”³ The issue of drive time is addressed above. To assess patient preference, the market shares for calendar year (CY) 2024 inpatient days for each service area zip code are summarized in the two tables below.⁴ If it were true that area residents prefer CRHS instead of Novant Health hospitals, then one would expect them to generally choose to receive care at CRHS over a Novant Health facility if they live as close to CRHS as they do to a Novant Health hospital. As shown in the table above, CRHS is closer or equidistant for residents of Zip Codes 28423, 28436, 28456, 28434 and 28450. For the majority of residents in these zip codes, proximity should not be a major factor in

³ Columbus East CON Application, page 48/.

⁴ These are acute care days and therefore exclude normal newborns and NICU days. DRG 886 (psychosis) was also excluded, as Columbus East does not propose to provide psychiatric services.

deciding where to receive inpatient care. These zip codes are highlighted in green in the tables below.

2024 Inpatient Days

	28451	28456	28436	28423	PSA Total	28479	28450	28434	SSA Total
NH New Hanover	16,614	1,663	985	545	19,807	2,253	370	270	2,893
NH Brunswick	1,985	49	51	43	2,128	431	79	-	510
CRHS	43	181	86	370	680	5	932	172	1,109
UNC Hospitals	867	55	158	50	1,130	114	224	19	357
Duke University	1,190	48	1	32	1,271	83	-	-	83
All Other	576	39	7	20	642	177	21	1	199
Total	21,275	2,035	1,288	1,060	25,658	3,063	1,626	462	5,151

Source: HIDI Inpatient Database 2024

2024 Inpatient Day Market Share

	28451	28456	28436	28423	PSA Total	28479	28450	28434	SSA Total
NH New Hanover	78%	82%	76%	51%	77%	74%	23%	58%	56%
NH Brunswick	9%	2%	4%	4%	8%	14%	5%	0%	10%
CRHS	0%	9%	7%	35%	3%	0%	57%	37%	22%
UNC Hospitals	4%	3%	12%	5%	4%	4%	14%	4%	7%
Duke University	6%	2%	0%	3%	5%	3%	0%	0%	2%
All Other	3%	2%	1%	2%	3%	6%	1%	0%	4%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

8. In all but one of these zip codes the market shares of Novant Health hospitals range from 55% to 84%. CRHS market shares range from 7% to 37%. CRHS has a higher market share than Novant Health hospitals only in 28450, which is 25 minutes closer to CRHS than NH New Hanover. For all other zip codes in which geographic accessibility either favored CRHS or was not substantially different, NH New Hanover had a higher market share than CRHS. Columbus East’s assertion that service area residents would choose care at a CRHS facility is unsupported.

CRHS’s Historical Utilization Does Not Support the Projected Occupancy at Columbus East

9. Columbus East projects its proposed 30 acute-care beds will achieve 69.2% occupancy by fiscal year (FY) 2033, its third year of operation. CRHS achieved only 28.6% occupancy in fiscal year (FY) 2024, according to the draft 2026 SMFP. The table below shows CRHS’s occupancy has been under 45% for the past seven years, never exceeding 43%. Other than the years during and after the COVID pandemic its occupancy was between 20% and 30%.

Acute Care Days and Occupancy at CRHS, FY 2018-2024

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Licensed Acute Care Beds	154	154	154	154	154	154	154
Inpatient Days of Care**	16,971	11,175	15,919	23,213	24,243	15,207	16,078
Occupancy Rate	30.2%	19.9%	28.3%	41.3%	43.1%	27.1%	28.6%

Source: 2020SMFP -Draft 2026 SMFP

*** For 2019, 2021, 2022, 2023- Division of Health Service Regulation Hospital License Renewal Application days of care data have a greater than ± 5% discrepancy between the two data sources.*

10. CRHS has given the Agency no reasonable basis to assume Columbus East could achieve a higher occupancy in just three years of operations than its existing hospital. Columbus East, while technically in Columbus County, would compete more directly with Brunswick and New Hanover County’s existing providers at its proposed location near the Brunswick County line. CRHS has not proven its ability to consistently maintain occupancy above 40% in an area with less competition. Therefore, it is not reasonable to assume it can achieve an even higher occupancy at a location in Delco that is closer to well-established competitor hospitals.

Columbus East’s Growth Rate is Unsupported

11. Before shifting days from CRHS and assuming a market share capture percentage, Columbus East grew the base line acute care days in its service area. Columbus East grew the acute care days by a compound annual growth rate (CAGR) of 2.7%, based on the five-year population growth in the area estimated by Esri.⁵

⁵ CON Application, pages 120 and 121.

12. While the population is growing in Columbus East’s service area, that does not mean that the patient volume at Columbus East can reasonably be projected to grow at the same rate. As shown in the table below, inpatient days at CRHS have not grown consistently. Data from the SMFP shows CRHS’s days decreased at a CAGR of -0.9% from FY2018-FY2024. Shifting the lookback period to FY2020 shows only a CAGR of 0.25% for the period through FY 2024. The highest volume was during and immediately after COVID, and volume returned to 2018 – 2020 levels in 2023 and 2024.

SMFP Acute Care Days at CRHS, FY2018-2024

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2018-2024 CAGR	2020-2024 CAGR
Inpatient Days of Care	16,971	11,175	15,919	23,213	24,243	15,207	16,078	-0.90%	0.25%
Growth from Previous Year		-34.2%	42.5%	45.8%	4.4%	-37.3%	5.7%		

Source: 2020-Draft 2026 SMFPs

13. As the applicant showed in the table below, service area patient days for hospitals other than CRHS grew at a rate substantially higher than the population CAGR. Service area patients chose to receive care at other area hospitals, and many were treated at Novant Health hospitals. Novant Health has an established provider and referral network in the Columbus East service area, and its hospitals have seen increasing acute care days. So, while it may be reasonable to expect service area patient days to grow rapidly, it is unreasonable to assume the days would shift to Columbus East at the same rate, particularly given CRHS’s historically sluggish growth and its lack of market share in most area zip codes, as discussed in paragraphs 8 and 9. A more accurate CAGR for days expected to shift to CRHS should take into account historical growth trends at CRHS.

To project acute care utilization at the proposed Columbus Regional East, CRHS subsequently examined historical acuity-appropriate acute care days originating from the Columbus Regional East service area that occurred in hospitals outside of CRHS from FY 2022 to FY 2024. The table below shows consistent growth in acute care days from both the PSA and SSA.

Historical Acuity-Appropriate Acute Care Days at Hospitals outside of CRHS from the Columbus Regional East Service Area

	FY22	FY23	FY24	FY22-FY24 CAGR*
PSA	13,724	14,798	15,242	5.4%
SSA	2,674	2,658	3,190	9.2%
PSA/SSA Total	16,398	17,456	18,432	6.0%

Source: HIDI inpatient market data via Atrium Health

*Compound annual growth rate

The Projected Market Share is Unreasonable and Inadequately Supported

14. Columbus East bases its utilization projections on capturing a percentage of service area patients who now use CRHS and then capturing market share of service area patients from hospitals outside of the service area. As a basis for its assumed 27.6% market share capture, Columbus East analyzed the market shares of “neighboring community hospitals.” The

excerpt below shows the market shares.

CRHS analyzed the share of acuity-appropriate acute care patient days of community hospitals in Columbus and neighboring counties and found that, on average, these hospitals captured 27.6 percent of acuity-appropriate acute care patient days in the hospital's individual PSA and 14.2 percent of acuity-appropriate acute care patient days in the hospital's individual SSA.

**FY 2024 Neighboring Community Hospitals' Acuity-Appropriate Market Share
in Individual PSA and SSA**

	PSA Market Share	SSA Market Share
Novant Brunswick	34.8%	24.5%
Dosher Memorial	15.6%	0.8%
Cape Fear Valley - Bladen	18.6%	11.7%
Columbus Regional	41.3%	19.6%
Average	27.6%	14.2%

Source: HIDI inpatient market data via Atrium Health

CRHS projects that the newly developed Columbus Regional East will capture 27.6 percent of the acuity-appropriate acute care patient days from the Columbus Regional East PSA that are currently being served outside of CRHS. Similarly, CRHS projects that Columbus Regional East will capture 14.2 percent of the acuity-appropriate acute care patient days from the Columbus Regional East SSA that are currently being served outside of CRHS. CRHS believes this is a conservative estimate because Columbus Regional maintains a higher share of acute care patient days in its PSA and SSA than the assumptions outlined above.

15. Columbus East fails to provide adequate support for the market share capture, as it did not:

- State which zip codes are in each hospital's PSA and SSA
- Provide data showing inpatient days that allows the Agency to verify the stated market shares
- Point to industry standards or publicly available data to justify the market shares
- Provide a definition of primary service area and secondary service area

16. Without this information, the Agency cannot determine if the data used are correct. The Agency also cannot determine if the service areas are a reasonable point of comparison, or if adopting the average among these hospitals' market shares to project Columbus East's future market share is reasonable.

17. More importantly, Columbus East misrepresents the market share basis. The table above shows the total market share for each community hospital in its respective PSA and SSA. Columbus East then applies these market shares to days at hospitals other than CRHS. In doing so, Columbus East captures 27.6% of the PSA market plus the days that will shift from CRHS. This results in a market share of 27.9% in the PSA. While this difference is slight in the PSA, it is significant in the SSA where the effective market share is 21.5% when the patient days shifting from CRHS are accounted for. This is an unreasonably high market share capture for the SSA, is significantly higher than the average CRHS claims to use, and is higher than any other comparison hospital Columbus East uses except for NH Brunswick. CRHS, a hospital operating at its current location for nearly 50 years,⁶ did not achieve that market share in its SSA in 2024. The assumed market share capture at Columbus East is unreasonable and is not supported by the data in the Columbus East Application.

18. The table below illustrates the difference between the 27.6% PSA market share and the 14.2% SSA market share Columbus East states it will achieve and the effective market share capture once CRHS' existing days are accounted for. The table uses the 2024 days Columbus East states are "Acuity-Appropriate" in its application and the shifts and market share captures it relies on for its utilization projections. Adding the shift of days from CRHS to the stated 14.2% market share capture gives Columbus East a 21.5% market share in acuity-appropriate days in its SSA. This is well above the 14.2% market share of days it states it relies on based on other community hospitals. This high market share overstates the number of acute care days Columbus East can reasonably expect to serve from the SSA.

⁶ <https://crhealthcare.org/about-us/>

Effective Market Share Capture at Columbus East, Based on Shift and Market Shares

	Base Days	Shift/Capture %	Resulting 2024 Days at Columbus East
CRHS			
PSA	568	80.0%	454
SSA	821	50.0%	411
<i>CRHS Subtotal</i>	<i>1,389</i>		<i>865</i>
Other Hospitals			
PSA	15,242	27.6%	4,207
SSA	3,190	14.2%	453
<i>Other Hospitals Subtotal</i>	<i>18,432</i>		<i>4,660</i>
	Total Days	Presumed Market Share	2024 Days at Columbus East
PSA	15,810	29.5%	4,661
SSA	4,011	21.5%	863
Total	19,821	27.9%	5,525

Sources: Columbus East Application, pages 120, 122 and 123.

19. This effective 21.5% market share in the secondary service area is even more unreasonable when one considers the travel times from SSA zip codes to Columbus East and other area hospitals. As shown in the table below, Columbus East does not provide meaningful improvement in geographic access to any secondary service area residents. The drive time from the population centroid is only improved by one minute for zip code 28434. Residents in zip codes 28450 and 28479 already live closer to an existing hospital than Columbus East, namely, Columbus Regional’s main campus and NH New Hanover, respectively.

Drive Times from Zip Code Weighted Population Centroids to Area Hospitals

Zip Code	Novant Health Brunswick	Novant Health New Hanover	CRHS	Columbus Regional East
28434	47	53	30	29
28450	37	45	12	19
28479	35	32	61	34

Sources: Google Maps, HUD

20. It is also worth noting that Columbus East’s assertion that they will obtain even a 14.2% market share in SSA zip code 28479 is unreasonable, inadequately supported and grossly overstates the acute care days one would expect to be treated at Columbus East. CRHS did not

include a table of the historical service area “acuity appropriate” inpatient days by zip code in its application. However, the table below shows the acute care days at each of the service area zip codes in CY 2024, using HIDI data. As the table shows, zip code 28479 accounts for 60% of inpatient days in the secondary service area. In 2024, CRHS provided only five of those acute care days. The applicant provides no justification for an increase from just 0.15% market share to 14.2% market share.

SSA Zip Code	Acute Care Days (all Hospitals)	% of SSA Days
28479	3,230	60%
28450	1,664	31%
28434	462	9%
Total	5,356	100%

Source: HIDI Inpatient Database, CY 2024

21. Patients in that area would drive further to Columbus East than they would to NH New Hanover and would only save one minute of drive time choosing Columbus East over NH Brunswick. CRHS’s physicians are not currently treating inpatients in these zip codes, and there is no reason to believe they would if this campus were approved. Without the 14.2% market share in zip code 28479, Columbus East’s SSA service area days would be reduced by 60%, which equates to 2,366 days in the third project year.⁷ If these 2,366 overstated days were taken out of the 7,582 projected inpatient days in the third project year, there would be only 5,216 days remaining and Columbus East would operate at 47.6% occupancy rather than the projected 69.2% occupancy.⁸

Utilization Based on Inpatient Days or Discharges is Unreasonable

22. As documented above, Columbus East’s projected acute care days (and therefore its discharges, which area based on a constant average length of stay) are unreasonable and inadequately supported. Thus, all the utilization projections in the Columbus East application that were based on a ratio to discharges or inpatient days are unreasonable and inadequately supported. This includes:

⁷ Page 123 of the application shows 3,944 SSA acute care days outside of CRHS in FY 32. 60% of those days is equal to 2,366 days.

⁸ 365 days on 30 beds is equal to 10,950 available acute care days.

- Inpatient Surgeries (based on a percentage of base line inpatient discharges)⁹
- Outpatient surgeries (based on a ratio to inpatient surgeries)¹⁰
- Inpatient procedures (based on a ratio to inpatient surgical cases)¹¹
- Outpatient procedures (based on a ratio to inpatient surgical cases)¹²
- Inpatient ED visits (based on historical percentage of inpatients admitted through ED)¹³
- Outpatient ED visits (based on a ratio of inpatient ED visits to outpatient ED visits)¹⁴
- Observation Days (based on a ratio to acute care days)¹⁵
- Inpatient CT Scans (based on a ratio of scans to acute care days)¹⁶
- Outpatient CT Scans (based on a ratio of inpatient to outpatient CT scans)¹⁷
- Inpatient MRI Scans (based on a ratio of scans to acute care days)¹⁸
- Outpatient MRI Scans (based on a ratio of inpatient to outpatient MRI scans)¹⁹
- X-ray, Ultrasound, SPECT-CT and Echo/EKG Stress Test volume (based on a ratio of acute care days to imaging)²⁰
- Ancillary services (based on a ratio of acute care days to volume and IP to OP volume) for physical, respiratory, speech and occupational therapy as well as laboratory and pharmacy volumes²¹

Columbus East Does Not Adequately Define the Scope of its Project

23. Columbus East failed to provide adequate support for the scope of services it includes in its application, as it does not provide a definition of “acuity appropriate” patients. Columbus East did not include a list of the DRGs it plans to provide as an exhibit or in its CON

⁹ Page 127

¹⁰ Page 127

¹¹ Pages 128-129

¹² Page 129

¹³ Page 130

¹⁴ Page 131

¹⁵ Page 132

¹⁶ Pages 133-134

¹⁷ Page 134

¹⁸ Pages 135

¹⁹ Page 135

²⁰ Page 139

²¹ Pages 140-141

application. Without this information, the Agency cannot determine if Columbus East has a reasonable basis for the remainder of its utilization projection, which relies on projecting future “acuity appropriate” patients and patient days, and then applying a market-share assumption to determine how many of those days will be served at Columbus East.

24. For these reasons, and any others the Agency may discern, Columbus East should be found non-conforming with Criterion (3).

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.”

25. As shown in the excerpt below, Columbus East rejects the alternative of maintaining the status quo because without the satellite campus it cannot provide convenient access in its market. This statement is misleading.

Maintain the Status Quo

Under the status quo, Columbus Regional Healthcare System simply cannot provide convenient and accessible inpatient care in the fastest-growing portion of its market. As demonstrated in Section C.4, most of Columbus County is projected to see flat or declining population trends. The one notable exception is eastern Columbus County, where a growing population finds itself at the greatest distance from the Columbus Regional campus in Whiteville. This leaves several untenable

26. Most inpatients residing in the proposed Columbus East service area are now served by hospitals other than CRHS. As such, it is misleading to describe these zip codes as the CRHS market. This is particularly true for the Columbus East PSA, in which CRHS has a 2.5% market share of acute care days. The zip codes highlighted in green in the table below are the only areas in which CRHS has a substantial market share. CRHS is not proposing this hospital to serve “its market”. Instead, it is trying to capture a larger percentage of patients who are currently well served by other providers.

CRHS Market Share in Columbus East’s Proposed Service Area

	Total Days	Columbus Regional Days	Current Market Share
PSA	27,420	680	2.5%
28451	22,923	43	0.2%
28456	2,115	181	8.6%
28436	1,310	86	6.6%
28423	1,072	370	34.5%
SSA	5,356	1,109	20.7%
28479	3,230	5	0.2%
28450	1,664	932	56.0%
28434	462	172	37.2%
Total	32,776	1,789	5.5%

Source: HIDI Inpatient Database, CY 2024

27. Columbus East also considered the alternative of a hospital with fewer beds:

Change Bed Count and/or Service Levels

CRHS considered developing Columbus Regional East with more or fewer beds and services than proposed, but careful analysis determined that neither scenario would meet the needs of the market.

While a hospital with fewer beds might be less costly, it would fail to meet the demonstrated need for inpatient care, as shown in Section C.4 and Form C Methodology and Assumptions. In addition, with the number of physicians and specialties that practice in the Leland area, along with those expected to expand their practices or increase the number of locations, a smaller facility likely would not meet the need of these physicians to treat their patients locally.

28. As discussed under Criterion 3, Columbus East’s projected inpatient days are grossly overstated due to its large service area and unsupported market share captures. Had Columbus East properly projected the inpatient days that may have shifted to its satellite, it would have found that a hospital with fewer beds was a less costly alternative for treating patients truly in “its market.” As shown in the table above, CRHS served only 1,789 inpatient days in the service area in CY 2024. As shown in its own data CRHS served only 1,389 “acuity appropriate” patient days out of 19,821 in the service area, or only 7% of patient days.

29. For these reasons and any others the Agency may find, Columbus East should be found non-conforming with Criterion (3).

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.”

30. The Columbus East application is non-conforming with this criterion. The financial projections in the Columbus East application are wholly dependent upon the utilization and revenue projections. As discussed above, Columbus East’s utilization projections are overstated, unreasonable, and without adequate support. Without reliable utilization projections, Columbus East has not and cannot show the long-term financial feasibility of the proposal. Therefore, its application is non-conforming with Criterion 5. For these reasons and any others the Agency may find, Columbus East should be found non-conforming with Criterion (5).