

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: August 28, 2011  
FINDINGS DATE: September 5, 2011

TEAM LEADER: Lisa Pittman  
ASSISTANT CHIEF: Martha Frisone

PROJECT I.D. NUMBER: B-8790-12 / Mission Hospital, Inc. / Relocate one gastrointestinal (GI) endoscopy room from Mission Hospital in Asheville to leased space in a medical office building in Fletcher / Buncombe County

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

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

NA

Mission Hospital, Inc. proposes to relocate one existing gastrointestinal (GI) endoscopy room from Mission Hospital in Asheville to leased space in a medical office building (MOB) being developed by Western North Carolina Healthcare Innovators, LLC in Fletcher. The MOB under development will be located in Buncombe and Henderson counties. Although the applicant states that the proposed project, Mission GI South, will be wholly located in Buncombe County, the endoscopy suite, as shown on the line drawings in Exhibit 6, does not include space for reception/registration, or a waiting area. The only space for these areas is in a common area in the Henderson County portion of the MOB. Because the applicant proposes to license the relocated GI endoscopy room as part of the hospital, the entire proposed project must be located in Buncombe County, the same county in which Mission Hospital is located. The applicant does not propose to increase the number of GI endoscopy rooms, increase the number of licensed beds in any category, add services, or acquire equipment for which there is a need determination in the 2012 State Medical Facilities Plan (SMFP). Consequently, there is no need determination in the 2012 SMFP applicable to the proposed project. Furthermore, there

are no policies in the 2012 SMFP which are applicable to the proposal. Therefore, this criterion is not applicable to this review.

- (2) Repealed effective July 1, 1987.
- (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.

## NC

Mission Hospital, Inc. (Mission Hospital) currently operates six licensed gastrointestinal (GI) endoscopy rooms on its main campus, located at 509 Biltmore Avenue in Asheville (Buncombe County). The applicant proposes to relocate one of the existing GI endoscopy rooms from the main campus in Asheville to a MOB in Fletcher. The relocated GI endoscopy room, to be known as Mission GI South, will be licensed as part of the hospital. Consequently, the applicant does not propose to develop a new health service facility; specifically, a new ambulatory surgical facility.

### Population to Be Served

In Section III.5, page 59, the applicant states:

*“The Mission GI South Service Area consists of zip codes in southern Buncombe County and Henderson County, as shown in the map included in Exhibit 18.”*

In Section III.6, pages 59-60, the applicant provides projected patient origin for Mission GI South and for Mission Hospital’s total GI endoscopy services for the first two project years. In Section III.7, page 61, the applicant provides the current patient origin for Mission Hospital GI endoscopy services (inpatient and outpatient). Because the GI endoscopy room that is proposed to be relocated to Fletcher will remain on the hospital’s license, the applicant will continue to operate six GI endoscopy rooms upon completion of the proposed project. Both current and projected patient origin are shown in the tables below, from pages 59-61.

**Mission Hospital GI Endoscopy Services  
 (Inpatient and Outpatient Cases)  
 Current and Projected Patient Origin**

<b>County</b>	<b>FY 2011</b>	<b>PY 2 FY 2015</b>
Avery	0.4%	0.4%
Buncombe	55.9%	55.9%
Burke	1.6%	1.6%
Cherokee	1.7%	1.7%
Clay	0.3%	0.3%
Graham	0.7%	0.7%
Haywood	5.8%	5.8%
Henderson	7.2%	7.2%
Jackson	1.8%	1.8%
Macon	1.9%	1.9%
Madison	5.1%	5.1%
McDowell	5.1%	5.1%
Mitchell	2.1%	2.1%
Polk	0.5%	0.5%
Rutherford	1.3%	1.3%
Swain	1.1%	1.1%
Transylvania	2.1%	2.1%
Yancey	3.1%	3.1%
Other	2.3%	2.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Mission GI South Projected Patient Origin  
 Outpatient GI Endoscopy Cases**

<b>County</b>	<b>PY 1 FY 14</b>	<b>PY 2 FY 15</b>
Buncombe ZIP Codes	71.8%	71.7%
Henderson County	28.2%	28.3%
Total	100.0%	100.0%

As shown in the table above, 63% of Mission Hospital’s current and projected endoscopy patients originate from Buncombe (55.9%) and Henderson (7.2%) counties. The projected patient origin for Mission Hospital includes both the Asheville campus and the proposed Mission GI South campus.

In Section III.1(a), page 20, the applicant states:

*“Mission analyzed historical utilization of outpatient GI services at Mission from southern Buncombe County and Henderson County, as well as projected population growth in the region to determine the Mission GI South Service Area.”*

In Section III.1(a), page 28 and Exhibits 16 and 18, the applicant identifies three ZIP Codes in Buncombe County plus all of Henderson County as the service area for Mission GI South. The applicant states that the existing Mission Hospital patients who live in the proposed service area for Mission GI South are currently traveling to Mission Hospital for GI endoscopy services.

**Mission GI South  
 Service Area by ZIP Code**

ZIP Code	County
28704	Buncombe
28803	Buncombe
28806	Buncombe
All	Henderson

In Section III.6, page 59 and Exhibit 16, Table 4, the applicant provides the projected patient origin for the Mission GI South campus, as illustrated in the table below.

**Mission GI South  
 Projected Patient Origin**

County	PY 1 (FY 2014)		PY 2 (FY 2015)	
	# Patients	% Total	# Patients	% Total
Buncombe	759	71.8%	766	71.7%
Henderson	298	28.2%	303	28.3%
<b>Total</b>	<b>1,057</b>	<b>100.0%</b>	<b>1,069</b>	<b>100.0%</b>

In Section III.1(b), page 33, the applicant projects that 85% of Mission Hospital’s existing outpatient GI endoscopy volume originating from the proposed service area, defined as a three-ZIP Code area of Buncombe County plus all of Henderson County, will shift to Mission GI South. The remaining fifteen percent of existing GI endoscopy patients at Mission Hospital who reside in the proposed service area but who are currently traveling to Mission Hospital in Asheville for GI endoscopy services will continue to travel to Mission Hospital.

In summary, the applicant adequately identifies the population to be served.

Demonstration of Need for the Proposed Project

Mission Hospital operates six licensed GI endoscopy rooms on its main campus, located at 509 Biltmore Avenue in Asheville (Buncombe County). The applicant proposes to relocate one of its existing GI endoscopy rooms to a new MOB in Fletcher. The relocated GI endoscopy room, to be known as Mission GI South, will be licensed as part of the hospital. Consequently, the applicant does not propose to develop a new health service facility; specifically, a new ambulatory surgical facility.

Regarding the need for the proposed project, in Section II.6, page 10, the applicant states:

*“... there is overwhelming support to relocate ambulatory services off of the tertiary campus due to issues of parking, convenience, way finding and cost structure. Outpatient GI endoscopy is an excellent candidate to be relocated off the tertiary campus into a convenient community location. The need for this is twofold: (1) limited hospital campus space will be needed for care that must be provided on an inpatient basis and (2) patients will increasingly require services that can be offered*

*on an outpatient basis located in convenient, outpatient centers rather than within the inpatient hospital walls.*

...

*The proposed relocation of one licensed GI endoscopy room from the Mission Campus to Mission GI South will expand access and choice for residents of the rapidly growing population of southern Buncombe County who require outpatient GI endoscopy services, as well as all Mission patients from Buncombe and Henderson County who choose ease of service, parking, and access, provided by a convenient outpatient location. Currently, these patients travel to downtown Asheville to receive outpatient GI endoscopy services on the Mission Campus. The Mission Campus is located in central Asheville. The existing campus is landlocked and has numerous parking decks and large facilities. Traversing a parking deck and Mission facilities to arrive at outpatient admissions can take up to 25 minutes from the closest interstate exit, Exit 50 on I-40. ... Mission GI South in southern Buncombe County is desirable to health care consumers and physicians in the community because it will provide high quality patient care in a location that is convenient and easily accessible.” [Emphasis added.]*

In Section III.1(a), pages 17-31, the applicant further describes the need for the proposed project. The applicant states:

*“The proposed project will establish a convenient, easily accessible, ambulatory setting in southern Buncombe County and is substantiated by the following reasons:*

- *Prevalence of Gastrointestinal Disorder*
- *Importance of Early Detection of Colorectal Cancer*
- *Patient Protection and Affordable Care Act of 2010*
- *Mission GI South Proposed Service Area*
- *Rationale for Site Location*
- *Utilization of Existing GI Endoscopy Resources*
- *Population Growth in Buncombe and Surrounding Counties*

***Prevalence of Gastrointestinal Disorder”***

On page 17, the applicant states:

*“...Based upon these statistics, there are over 85,000 residents of the Mission GI Service Area struggling with gastrointestinal issues. Outpatient GI endoscopy is a major tool in determining underlying disease issues for many of these GI disorders and the proposed Mission GI South will provide a more accessible alternative for diagnosis and treatment for residents of the Service Area.*

***Importance of Early Detection of Colorectal Cancer”***

On page 18, the applicant states:

*“The disease, however, is largely preventable with regular screening and is treatable with early detection. Unfortunately, Mission Hospital Cancer Registry and the NC Central Cancer Registry statistics reveal that there is significant opportunity to increase early detection of colon cancer in Buncombe County and western North Carolina. ... The introduction of a high-quality, easily accessible outpatient GI service such as Mission GI South may be one action that makes it more likely for residents of the service area to access care earlier.”*

Further, on page 19, the applicant states:

*“The age of residents in the Mission GI South service area supports the need for easily accessible, high quality endoscopy services. By year 2016, it is estimated that the population of those over 55 years of age within this service area who should receive screening exams for colon cancer, will increase more than 10%. By locating services within this service area, Mission Hospital is redistributing services to areas where patients are more likely to utilize them and to ensure access to needed care.*

***“Patient Protection and Affordable Care Act of 2010”***

On pages 19-20, the applicant discusses the Patient Protection and Affordable Care Act of 2010 (PPACA). The applicant states that PPACA will make colorectal cancer screening possible for many more people than before and that recent reimbursement changes will lead to more colorectal cancer screening procedures through 2014.

***“Mission GI South Proposed Service Area”***

On pages 20-24, the applicant states that the following issues influenced its choice of the proposed location and service area for Mission GI South:

- Historical utilization of outpatient GI services at Mission,
- Projected population growth,
- Discussions with physicians associated with the project, and
- Travel times.

Specifically, the applicant states:

*“Mission undertook a detailed planning process from which it determined that Mission GI South is needed at the proposed site as opposed to another area in Buncombe County.*

*...The proposed southern Buncombe County area includes two of the three fastest growing zip code[s] in the county as reflected in Exhibit 16, Table 11. Further, the proposed outpatient GI center will be proximate to three of the fastest growing zip codes in Henderson County. Patients from each of these zip codes currently choose to drive to the Mission Hospital campus in Asheville to receive services.”*

In Section III.1(a), pages 21-22 and III.2, page 50, the applicant states that the drive time plus time to park and walk to admissions will be shorter for patients living in both Buncombe and Henderson counties who currently travel to Mission Hospital in downtown Asheville for GI endoscopy services. The applicant compares this “drive time” from 8 locations in the Buncombe County portion of the proposed service area to Mission GI South and to Mission Hospital. The travel time from all eight of the locations to Mission GI South is actually longer than the travel time to Mission Hospital. The time savings for patients switching from Mission Hospital to Mission GI South would not be the actual travel time, but the reduced time to park, enter the building and arrive at check-in. Travel time could be further saved if the applicant had chosen an outpatient location closer to Mission Hospital, but off of the main hospital campus thus avoiding the parking and entering issue. In addition, the GI endoscopy services could further meet the applicant’s “*more accessible outpatient GI Services*” goal if the proposed project were not licensed as part of the hospital, but licensed as an ambulatory surgery facility which could make the services more accessible financially as well (due to lower copays and deductibles). Indeed, on page 10 the applicant says “*there is overwhelming support to relocate ambulatory services off the tertiary campus due to issues of ... cost structure.*” [Emphasis added.]

#### ***Additional Rationale for Site Location***

On pages 22-24, the applicants provide additional reasons for the proposed site location on the Buncombe/Henderson County line (literally), including the following:

- *“The Buncombe Henderson County Line Area is the center of growth in north Henderson and south Buncombe Counties and is proximate to Asheville Airport. ...*
- *The proposed Mission GI South site is adjacent to a major center of commerce. ...*
- *Cane Creek Road provides a direct connection to Fairview in east Buncombe County. ...*
- *The proposed site provided a cost-effective alternative for property in this growing area. ...*
- *Overall growth and development in Buncombe County is projected for the foreseeable future. ...*
- *Overall growth and development in north Henderson County in particular the Town of Fletcher, also has occurred due to the proximity to the airport and proximity of several major roadways. ...*
- *DHSR licensure requirement that a hospital not cross county lines restricts site alternatives. The potential sites for Mission Hospital and Pardee Hospital to develop a joint campus are severely limited by NC DHSR Licensure rules that restrict hospital services to be located only in the “home county” of the provider. As such Mission cannot cross into Henderson County and the same applies to Pardee. Given the desire for Mission and Pardee to collaborate in providing a dedicated, outpatient care location that meets the service mission of both*

*organizations, a county line location is the only option that can meet licensure stipulations.” [Emphasis in original.]*

On page 24, the applicant states:

***“Utilization of Existing GI Endoscopy Resources***

*Mission is the largest hospital in western North Carolina and serves as the tertiary care provider for the region. The following table shows Mission’s GI endoscopy volume over the last four calendar years which is sufficient to justify all six of the existing licensed GI endoscopy rooms at Mission.*

***Mission Hospital  
 GI Endoscopy Volume  
 January 2008 – December 2011***

	<b><i>CY 2008</i></b>	<b><i>CY 2009</i></b>	<b><i>CY 2010</i></b>	<b><i>CY 2011</i></b>	<b><i>Average Annual Growth Rate 2008-2011</i></b>
<i>Total Mission GI Cases</i>	6,826	6,752	6,513	6,949	
<i>Annual Growth Cases</i>		-1.1%	-3.5%	6.7%	0.7%
<i>Total Mission GI Procedures</i>	8,694	8,812	8,661	9,127	
<i>Annual Growth Procedures</i>		1.4%	-1.7%	5.4%	1.7%
<i>GI Endo Rooms Needed at 1,500 procedures/yr</i>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	
<i>Procedures per Case (Inpatient and Outpatient)</i>	1.27	1.31	1.33	1.33	

*Source: Mission Trendstar data*

*As shown in the previous table, GI endoscopy utilization increased significantly from 2010 to 2011.”*

On pages 25-26, the applicant states the following regarding Buncombe County GI endoscopy providers:

*“GI endoscopy volumes provided by the two existing GI endoscopy providers in Buncombe County, Mission Hospital and The Endoscopy Center, are sufficient to support 16 GI endoscopy rooms, as shown in the following table.*

***Buncombe County Providers  
 GI Endoscopy Volume (Procedures)  
 October 2007-September 2011***

<b><i>GI Endoscopy Provider</i></b>	<b><i>FY 2008</i></b>	<b><i>FY 2009</i></b>	<b><i>FY 2010</i></b>	<b><i>FY 2011</i></b>

<i>Mission Hospital GI Endoscopy Procedures</i>	8,942	8,535	8,661	9,290
<i>The Endoscopy Center GI Endoscopy Procedures</i>	14,370	14,982	14,765	14,414
<i>Total GI Endoscopy Procedures Performed in Buncombe County</i>	23,312	23,517	23,426	23,704
<i>GI Endoscopy Rooms Needed at 1,500 Procedures per Room</i>	16	16	16	16

Source: Exhibit 16, Table 13

\* Mission has 6 licensed GI endoscopy rooms; The Endoscopy Center has 5 licensed GI endoscopy rooms.

...There are currently 11 GI endoscopy procedure rooms in Buncombe County reflecting a potential need for five additional GI endoscopy rooms based upon FY 2011 GI endoscopy procedures provided in the county. Mission Hospital is not requesting an additional GI endoscopy room at this time. Instead, Mission Hospital is proposing to relocate an existing GI endoscopy room to an outpatient location that can be more productive in a non-hospital location. ...

The proposed Mission GI South will serve residents of Buncombe and Henderson Counties currently seeking care in Buncombe County. Total volume in the combined two county area continues to justify all existing GI endoscopy rooms, as shown in the following table.

**Buncombe and Henderson Counties Providers  
 GI Endoscopy Volume (Procedures)**

<i>GI Endoscopy Provider</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>Current GI Endoscopy Capacity</i>	<i>Variance</i>
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<b>Buncombe County</b>						
Mission Hospital	8,942	8,535	8,661	9,290		
The Endoscopy Center	14,370	14,982	14,765	14,414		
Total Buncombe County	23,312	23,517	23,426	23,704		
GI Endoscopy Rooms needed at 1,500 Procedures per Room	15.5	15.7	15.6	15.8	11	5
<b>Henderson County</b>						
Carolina Mountain Endoscopy Center	3,646	3,316	3,475	4,520		
Pardee Hospital	4,562	4,289	4,090	3,031		
Park Ridge Hospital	970	826	861	774		
Total Henderson County	9,178	8,431	8,426	8,325		
GI Endoscopy Rooms needed at 1,500 Procedures per Room	6.1	5.6	5.6	5.6	6	0
<b>Combined Buncombe and Henderson Counties</b>						
Combined Buncombe and Henderson Counties [Rooms Needed at 1,500 Procedures per Room]	21.7	21.3	21.2	21.4	17	5

[Emphasis in original.]

Source: Exhibit 16, Table 13

There are 11 licensed GI endoscopy rooms in Buncombe County, and 6 licensed GI endoscopy rooms in Henderson County.”

On pages 27-28, the applicant states:

**“Population Growth in Buncombe and Henderson Counties**

Mission GI South has a service area that consists of zip codes in southern Buncombe County and Henderson County. ...Total projected population growth from 2011 to 2016 for the Mission GI South Service Area is shown in the following table.

**Mission GI South  
 Service Area  
 Projected Population All Ages**

	2011	2016	CAGR
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			2011-2016
<b>Buncombe County Zip Codes</b>			
28704	19,034	20,349	1.3%
28803	26,862	28,287	1.0%
28806	36,391	37,548	0.6%
<i>Buncombe Zip Subtotal</i>	82,287	86,184	0.9%
<b>Henderson County</b>			
<i>Henderson County Population</i>	108,956	117,830	1.6%
<b>Combined Buncombe and Henderson County</b>			
<i>Total Mission GI South Population</i>	191,243	204,014	1.3%

Source: Exhibit 16, Table 5, 6”

The following table illustrates the historical and projected utilization for Mission Hospital GI endoscopy services through Project Year 3, as provided by the applicant in Section IV.1, page 66:

	FY 2010	FY 2011	Interim FY 2012	Interim FY 2013	PY 1 FY 2014	PY 2 FY 2015	PY 3 FY 2016
<b>Mission Hospital</b>							
# Dedicated GI Endo Rooms	6	6	6	6	5	5	5
# GI Endo Procedures	8,661	9,290	9,307	9,325	8,031	8,034	8,037
<b>Mission GI South</b>							
# Dedicated GI Endo Rooms	0	0	0	0	1	1	1
# GI Endo Procedures	0	0	0	0	1,310	1,325	1,339
<b>Mission Hospital &amp; Mission GI South</b>							
Total # Dedicated GI Endo rooms	6	6	6	6	6	6	6
Total # GI Endo Procedures	8,661	9,290	9,307	9,325	9,342	9,359	9,337

As illustrated in the table above, the applicant projects to perform a total of 9,359 procedures in six licensed GI endoscopy rooms, or 1,560 procedures per room (9,359 procedures / 6 rooms = 1,560 procedures) in Project Year 2 (FY 2015). Furthermore, the applicant projects to perform 1,325 GI endoscopy procedures at Mission GI South in Project Year 2. While G.S. 131E-182(a) and the Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities [10A NCAC 14C .3900] requires an applicant proposing to develop a new GI endoscopy room to demonstrate it will perform at least 1,500 procedures per room, the Performance Standards in G.S. 131E-182(a) and 10A NCAC 14C are not applicable to this review because the applicant is not proposing to develop a new GI endoscopy room or to establish a new ambulatory surgical facility to be operated independently of the hospital. Rather, the applicant proposes to relocate one existing GI endoscopy room to another location and continue to operate it under Mission Hospital’s license. Thus, the fact that the applicant projects to perform less than 1,500 procedures in the proposed relocated room in Project Year 2 is not an issue for this application. (The applicant’s use of the 1,500 procedures per room minimum performance threshold throughout the application is for reference purposes only.) Mission Hospital already operates six licensed GI

endoscopy rooms and is proposing to relocate one of the existing rooms from the main campus to another location in Fletcher. The applicant states it proposes to serve existing patients who live in three Buncombe County ZIP Codes and in Henderson County, and who are currently traveling to Mission Hospital for GI endoscopy services, thereby providing care to them closer to their homes.

In Section III.1(b), pages 32-33, the applicant provides the methodologies and assumptions used to project utilization. The applicant begins by projecting total utilization for all six of the GI endoscopy rooms based on historical GI endoscopy growth at Mission, as shown in the table below:

**Mission's GI Endoscopy Utilization (including Mission GI South)**

	<b>FY 2011</b>	<b>AGR* FY08-FY11</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Total # GI Endo Cases	7,073	0.2%	7,086	7099	7,113	7,126	7,139
# GI Procedures per Case (inpatient & outpatient)	1.31		1.31	1.31	1.31	1.31	1.31
Total # GI Endo Procedures	9,290		9,307	9,325	9,342	9,359	9,377
# GI Rooms Needed at 1,500 Procedures per Room	6.2		6.2	6.2	6.2	6.2	6.3

\*Annual growth rate

The applicant then determines utilization at Mission GI South, as shown in the following table:

**Projected Utilization at Mission GI South**

	<b>PY 1 FY 2014</b>	<b>PY 2 FY 2015</b>	<b>PY 3 FY 2016</b>
<b><i>Buncombe County</i></b>			
Buncombe ZIP SA Population	84,604	85,390	86,184
Buncombe GI Endo 5-Year Avg. Use Rate	48.7	48.7	48.7

Total Projected GI Cases	4,123	4,161	4,200
Mission Market Share	34.6%	34.6%	34.6%
Mission GI Cases	1,426	1,439	1,452
Percent Outpatient at Mission	62.7%	62.7%	62.7%
Projected Mission Outpt GI Endo Cases	894	902	910
Mission Procedures Per Outpatient Case	1.24	1.24	1.24
Projected Mission Outpatient Procedures	1,107	1,118	1,128
Outpatient GI Procs Shifted to Mission GI South	85%	85%	85%
Projected Mission GI South Outpt Procedures	941	950	959
<b>Henderson County</b>			
Henderson County Population	114,287	116,058	117,830
Henderson GI Endo Use Rate	60.7	60.7	60.7
Total Projected GI Cases	6,937	7,045	7,152
Mission Market Share	8.1%	8.1%	8.1%
Mission GI Cases	559	568	576
Percent Outpatient at Mission	62.7%	62.7%	62.7%
Projected Mission Outpt GI Endo Cases	350	356	361
Mission Procedures Per Outpatient Case	1.24	1.24	1.24
Projected Mission Outpatient Procedures	434	441	448
Outpatient GI Procs Shifted to Mission GI South	85%	85%	85%
Projected Mission GI South Outpt Procedures	369	375	381
<b>Combined – Total Service Area</b>			
GI Endoscopy Procedures, Mission GI South	1,310	1,325	1,339
GI Endoscopy Rooms Needed at Mission GI South Location @ 1,500 Procedures per Room	1	1	1

In Section III.1(b), pages 34-49, the applicant discusses in detail the methodologies and assumptions summarized in the table above. See the applicant's Steps One through Eleven below.

**Step 1: Determine Base Volume for Use in Projections**

On page 34, the applicant provides historical utilization data for Mission Hospital's total GI endoscopy volume (inpatient and outpatient), comparing its Trendstar data (cases and procedures) with its License Renewal Application (LRA) data to demonstrate consistency, as shown in the table below:

**Mission Hospital  
 GI Endoscopy Volume  
 October 2007 – September 2011**

	FY 2008		FY 2009		FY 2010		FY 2011	
	Cases	Procs	Cases	Procs	Cases	Procs	Cases	Procs
Trendstar GI Volume	7,050	9,032	6,724	8,673	6,550	8,714	7,018	9,333

LRA GI Volume	7,064	8,942	6,741	8,535	6,563	8,661	7,073	9,290
Difference	14	-90	17	-138	13	-53	55	-43
Percent Difference	0.2%	-1.0%	0.3%	-1.6%	0.2%	-0.6%	0.8%	-0.5%

Source: Historical LRAs, Mission Trendstar data

\*Memorial has 4 licensed GI endo rooms; St. Joseph's has 2 licensed GI endo rooms.

Four years of data are provided for comparison (FY 2008 – FY 2011). The largest variance in the number of cases was 0.8% in FY 2011 and the largest variance in the number of procedures was 1.6% in FY 2009. Thus, the applicant demonstrates that the two datasets are generally consistent. The applicant states that it will use data from the annual LRAs for use rates and market share.

### Step 2: Determine the Growth Rate for Projecting Total GI Endoscopy Utilization

The applicant stated that it reviewed a) historical GI endoscopy growth at Mission Hospital, b) population growth, and c) market trends in projecting the growth rate for total GI endoscopy utilization.

On page 35, the applicant provides historical GI endoscopy utilization at Mission Hospital for CY 2008 - CY 2011 and for FY 2008 – FY 2011, as shown below.

**Mission Hospital GI Endoscopy Cases by Calendar Year**

	CY 2008	CY 2009	CY 2010	CY 2011	Average Annual Growth Rate
Total Mission GI Cases	6,826	6,752	6,513	6,949	
Annual Growth		-1.1%	-3.5%	6.7%	0.7%

Source: Mission Trendstar data

**Mission Hospital GI Endoscopy Cases by Fiscal Year**

	FY 2008	FY 2009	FY 2010	FY 2011	Average Annual Growth Rate
LRA GI Cases	7,064	6,741	6,563	7,073	
Annual Growth		-4.6%	-2.6%	7.8%	0.2%

Source: Historical LRAs

The applicant states on page 35:

*“As shown in the previous tables, total GI endoscopy cases increased 0.7% during the last 4 calendar years, and 0.2% during the last four fiscal years at a time where the development of freestanding GI centers has resulted in a redistribution of outpatients from hospital-based GI endoscopy programs.*

*Mission decided to utilize fiscal year data from the 2012 Mission Hospital LRA as a base rate for projections, as this resulted in a more conservative projection growth rate as reflected above.”*

On pages 36-37, the applicant projects a weighted population growth rate for its total GI endoscopy service area. The applicant states: *“Due to the large number of counties in that Service Area, Mission calculated a weighted population growth rate based upon each county[’s] population growth rate and Mission’s patient origin percentage from the county, as shown in the following table.”*

**Mission’s Total GI Endoscopy Service Area  
 Weighted Population Growth Rate**

<b>County</b>	<b>Population AAGR* 2011- 2016</b>	<b>FY 2011 GI Endo Services Patient Origin</b>	<b>GI Endo Services Weighted Growth Rate</b>
	A = County Specific AAGR	B = County % of Patient Origin	A x B = C
Avery	-0.5%	0.4%	-0.002%
Buncombe	1.3%	55.9%	0.733%
Burke	0.4%	1.6%	0.006%
Cherokee	1.2%	1.7%	0.020%
Clay	1.4%	0.3%	0.005%
Graham	1.3%	0.7%	0.008%
Haywood	0.8%	5.8%	0.049%
Henderson	1.6%	7.2%	0.113%
Jackson	1.5%	1.8%	0.027%
Macon	0.3%	1.9%	0.006%
Madison	0.5%	5.1%	0.028%
McDowell	0.1%	5.1%	0.007%
Mitchell	0.0%	2.1%	0.000%
Polk	1.5%	0.5%	0.007%
Rutherford	0.9%	1.3%	0.013%
Swain	1.1%	1.1%	0.012%
Transylvania	1.2%	2.1%	0.025%
Yancey	-0.4%	3.1%	-0.013%
Other	1.5%	2.3%	0.034%
<b>Weighted Population Growth Rate</b>		<b>100.0%</b>	<b>1.1%</b>

\*Average Annual Growth Rate

As shown in the table above, the weighted population growth rate for the proposed service area is 1.1%.

On page 29, the applicant discusses the higher incidence of colorectal cancer and GI endoscopy procedures in the 55+ age cohort than in the overall population. On page 37, the applicant projects a weighted population growth rate for the age 55+ portion of its total GI endoscopy service area population, and projects *“a total weighted population growth rate of 2.3% for GI Endoscopy Services at Mission for residents 55+”* which is twice the growth rate Mission Hospital projected for its’ overall GI endoscopy service area population (2.3% vs. 1.1%). On page 38, the applicant states:

“Mission considered all of the above variables and determined that the historical (FY 2008 – FY 2011) GI endoscopy cases Average Annual Growth Rate of 0.2% provided a conservative rate to project future utilization. This rate is:

- Considerably less than the projected (2011-2016) age 55+ weighted population growth rate of 2.3% in Mission GI Endoscopy Service Area counties.
- Considerably less than the projected (2011-2016) weighted population growth rate of 1.1% in Mission GI Endoscopy Service Area counties.
- Less than Mission GI endoscopy Average Annual Growth Rate of 0.7% from January 2008 through December 2011.”

### Step 3: Project Total GI Endoscopy Cases

On page 38, the applicant applied Mission Hospital’s average annual growth rate (AAGR) of 0.2% to the total number of GI endoscopy cases performed at Mission Hospital in FY 2011 (from Step 1) and projected case volume through Project Year 3 (FY 2016), as shown in the table below:

	FY 2011	AAGR FY08-FY11*	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total GI Endoscopy Cases	7,073	0.2%	7,086	7,099	7,113	7,126	7,139

Source: Exhibit 16, Table 2  
 Note: Actual AAGR was .1859%”

### Step 4: Project Total GI Endoscopy Rooms Needed

On page 39, the applicant provides the total number of GI endoscopy procedures per case during FY 2011, as shown in the table below.

**Mission GI Endoscopy Volume FY 2011**

	Cases	Procedures	Procedures/Case
Inpatient	2,640	3,796	1.44
Outpatient	4,433	5,494	1.24
Total GI Volume	7,073	9,290	<b>1.31</b>
Percent Outpatient	62.7%	59.1%	

The applicant then uses the combined inpatient and outpatient ratio of 1.31 procedures per case to project total inpatient and outpatient GI endoscopy cases through FY 2016, as shown in the table below.

**Mission GI Endoscopy Projections FY 2012-2016**

	FY 2011	Interim		Project Years 1-3		
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016

Total GI Endoscopy Cases	7,073	7,086	7,099	7,113	7,126	7,139
Average # Procedures per Case FY 2011	1.31	1.31	1.31	1.31	1.31	1.31
Total GI Endoscopy Procedures	9,290	9,307	9,325	9,342	9,359	9,377
GI Endo Rooms Needed @ 1,500 Procedures per Room	6	6	6	6	6	6

The applicant states:

*“As shown in the previous table, projected GI endoscopy volume at Mission is projected to remain relatively flat with a very slight increase in cases and procedures. Projected FY 2016 utilization reflects a continued need for all six of the existing GI endoscopy rooms in Buncombe County.”*

**Step 5: Base Population for Mission GI South Service Area**

On page 40, the applicant provides the 2011 population for the proposed Mission GI South service area which is projected to grow at an AAGR of 1.3% through 2016. The projected service area consists of three ZIP Codes in Buncombe County (28704, 28803 and 28806) plus all of Henderson County.

**Step 6: Determine GI Endoscopy Use Rates for Buncombe and Henderson Counties**

On pages 40-41, the applicant uses historical GI endoscopy case volume data from FY 2007 - FY 2011 and county population data to calculate endoscopy use rates for residents of Buncombe and Henderson counties, as shown in the following table:

*Total GI Endoscopy Cases per 1,000 Population*

<i>Total GI Endoscopy</i>	<i>Buncombe</i>	<i>Henderson</i>
<i>2007</i>		
<i>Cases</i>	<i>11,682</i>	<i>5,689</i>
<i>Population</i>	<i>229,526</i>	<i>102,172</i>
<i>Use Rates/Cases per 1,000</i>	<i>50.9</i>	<i>55.7</i>

2008		
Cases	11,278	7,243
Population	232,814	104,086
Use Rates/Cases per 1,000	48.4	69.6
2009		
Cases	11,599	6,571
Population	235,879	105,395
Use Rates/Cases per 1,000	49.2	62.3
2010		
Cases	11,484	6,245
Population	239,179	107,177
Use Rates/Cases per 1,000	48.0	58.3
2011		
Cases	11,425	6,278
Population	242,509	108,956
Use Rate	47.1	57.6
Five Yr Average County Use Rates		
Five Year County Use Rate	48.7	60.7

Source: Exhibit 16, Table 8

... This resulted in an assumption of 48.7 cases per 1,000 population for Buncombe County and 60.7 cases per 1,000 population for Henderson County. This is a conservative assumption because use rates are expected to increase due to the impact of the Patient Protection and Affordable Care Act of 2010, as previously discussed.”

**Step 7: Project Total GI Endoscopy Cases for Mission GI South Service Area**

On page 42, the applicant continues:

“Mission multiplied the county specific use rate (Step 6) by the annual population for the Mission GI South Service Area (Step 5) to project total GI endoscopy cases for all residents of Mission GI South Service Area as shown in the following table.”

The applicant provides the projected population growth for the service area, as shown in the table below:

**Mission GI South  
 Expected Total GI Endoscopy Cases in Service Area  
 Project Years 1 - 3**

	PY 1 FY 2014	PY 2 FY 2015	PY 3 FY 2016
Buncombe County Service Area ZIP Codes			

Step 5	Buncombe ZIP SA Population	84,604	85,390	86,184
Step 6	Buncombe GI Endoscopy Use Rate	48.7	48.7	48.7
	Total Projected GI Cases	4,123	4,161	4,200
<b>Henderson County</b>				
Step 5	Henderson County Population	114,287	116,058	117,830
Step 6	Henderson GI Endoscopy Use Rate	60.7	60.7	60.7
	Total Projected GI Cases	6,937	7,045	7,152

**Step 8: Determine Mission Hospital Market Share of Total GI Endoscopy Cases in Buncombe and Henderson Counties**

On pages 42-44, the applicant uses patient origin data from 2008 - 2012 LRAs to estimate Mission Hospital's market share of total GI endoscopy cases (inpatient and outpatient) in Buncombe and Henderson counties, as shown in the following two tables:

*Mission Hospital  
 Market Share of Total GI Endoscopy Cases - Buncombe County*

<i>Total GI Endoscopy</i>	<i>Buncombe</i>	
<i>Provider</i>	<i>Cases</i>	<i>Market Share</i>
<i>FY 2007</i>		
<i>The Endoscopy Center</i>	<i>6,515</i>	<i>55.8%</i>
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	<i>4,561</i>	<i>39.0%</i>

<i>Park Ridge Hospital</i>	282	2.4%
<i>All Other</i>	202	1.7%
<i>Margaret R. Pardee Memorial Hospital</i>	113	1.0%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	9	0.1%
<i>Total</i>	11,682	100.0%
<b>FY 2008</b>		
<i>The Endoscopy Center</i>	6,460	57.3%
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	4,022	35.7%
<i>All Other</i>	224	2.0%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	330	2.9%
<i>Park Ridge Hospital</i>	133	1.2%
<i>Margaret R. Pardee Memorial Hospital</i>	109	1.0%
<i>Total</i>	11,278	100.0%
<b>FY 2009</b>		
<i>The Endoscopy Center</i>	7,081	61.0%
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	3,925	33.8%
<i>All Other</i>	244	2.1%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	153	1.3%
<i>Margaret R. Pardee Memorial Hospital</i>	101	0.9%
<i>Park Ridge Hospital</i>	95	0.8%
<i>Total</i>	11,599	100.0%
<b>FY 2010</b>		
<i>The Endoscopy Center</i>	6,958	60.6%
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	3,730	32.5%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	297	2.6%
<i>All Other</i>	290	2.5%
<i>Park Ridge Hospital</i>	133	1.2%
<i>Margaret R. Pardee Memorial Hospital</i>	76	0.7%
<i>Total</i>	11,484	100.0%
<b>FY 2011</b>		
<i>The Endoscopy Center</i>	6,830	59.8%
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	3,951	<b>34.6%</b>
<i>All Other</i>	248	2.2%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	181	1.6%
<i>Margaret R. Pardee Memorial Hospital</i>	116	1.0%
<i>Park Ridge Hospital</i>	99	0.9%
<i>Total</i>	11,425	100.0%
<b>Five Year Average</b>		
<i>Mission 5 Yr Avg Mkt Share</i>		35.1%

[Emphasis in original.]

Source: Exhibit 16, Table 9

The applicant states that it will use its FY 2011 Buncombe County market share (34.6%) for projections. Although the FY 2011 market share (34.6%) for Buncombe County is slightly less than the five-year average market share (35.1%) of the County, it is a one year reversal of a 3-year trend of declining market share. The applicant also states that it will use its FY 2011 Henderson County market share (8.1%) even though that market share has been increasing since 2008. The FY 2011 share is slightly more than the five-year average market share of Henderson County (7.6%), as shown in the table below.

*Mission Hospital  
 Market Share of Total GI Endoscopy Cases – Henderson County*

<i>Total GI Endoscopy Provider</i>	<i>Henderson</i>	
	<i>Cases</i>	<i>Market Share</i>
<i>FY 2007</i>		
<i>Margaret R. Pardee Memorial Hospital</i>	<i>3,283</i>	<i>57.7%</i>
<i>The Endoscopy Center</i>	<i>942</i>	<i>16.6%</i>
<i>Park Ridge Hospital</i>	<i>731</i>	<i>12.9%</i>

<i>Memorial Mission Hospital and Asheville Surgery Center</i>	509	8.9%
<i>All Other</i>	121	2.1%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	102	1.8%
<i>Total</i>	5,688	100.0%
<b>FY 2008</b>		
<i>Margaret R. Pardee Memorial Hospital</i>	3,133	43.3%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	2,064	28.5%
<i>The Endoscopy Center</i>	908	12.5%
<i>Park Ridge Hospital</i>	517	7.1%
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	483	6.7%
<i>All Other</i>	138	1.9%
<i>Total</i>	7,243	100.0%
<b>FY 2009</b>		
<i>Margaret R. Pardee Memorial Hospital</i>	2,816	42.9%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	1,709	26.0%
<i>The Endoscopy Center</i>	964	14.7%
<i>Park Ridge Hospital</i>	461	7.0%
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	453	6.9%
<i>All Other</i>	168	2.6%
<i>Total</i>	6,571	100.0%
<b>FY 2010</b>		
<i>Margaret R. Pardee Memorial Hospital</i>	2,100	33.6%
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	2,063	33.0%
<i>The Endoscopy Center</i>	1,003	16.1%
<i>Park Ridge Hospital</i>	454	7.3%
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	452	7.2%
<i>All Other</i>	173	2.8%
<i>Total</i>	6,245	100.0%
<b>FY 2011</b>		
<i>Carolina Mountain Gastroenterology Endoscopy Center</i>	2,356	37.5%
<i>Margaret R. Pardee Memorial Hospital</i>	1,917	30.5%
<i>The Endoscopy Center</i>	972	15.5%
<i>Memorial Mission Hospital and Asheville Surgery Center</i>	506	8.1%
<i>Park Ridge Hospital</i>	438	7.0%
<i>All Other</i>	89	1.4%
<i>Total</i>	6,278	100.0%
<b>Five Year Average</b>		
<i>Mission 5 Yr Avg Mkt Share</i>		7.6%

[Emphasis in original.]

Source: Exhibit 16, Table 10

### Step 9: Project Total Mission Hospital Outpatient GI Endoscopy Cases from Mission GI South Service Area

The applicant discusses Step 9, beginning on page 45:

*“To estimate the total GI endoscopy cases for the Mission GI South Service Area, Mission multiplied the county specific FY 2011 market share (Step 8) by projected*

*total GI Cases from the Mission GI South Service Area (Step 7) to project Mission Hospital expected GI endoscopy cases for residents of Mission GI South Service Area as shown in the following table.”*

**Mission Hospital  
 Expected GI Endoscopy Cases from Mission GI South Service Area**

		<b>PY 1 FY 2014</b>	<b>PY 2 FY 2015</b>	<b>PY 3 FY 2016</b>
	<b>Buncombe County Service Area ZIP Codes</b>			
Step 7	Total Projected GI Cases	4,123	4,161	4,200
Step 8	Mission Market Share	34.6%	34.6%	34.6%
	Projected Mission GI Cases (inpatient & outpatient)	1,426	1,439	1,452
	<b>Henderson County</b>			
Step 7	Total Projected GI Cases	6,937	7,045	7,152
Step 8	Mission Market Share	8.1%	8.1%	8.1%
	Projected Mission GI Cases (inpatient & outpatient)	559	568	576

On pages 45-46, the applicant states that the table above and the annual LRAs for hospitals include both inpatient and outpatient GI endoscopy cases. To adjust the cases above to reflect only outpatient cases, the applicant states that it multiplied the number of cases above by 62.7%, the percentage of all FY 2011 GI endoscopy cases at Mission that were outpatient. The projected number of outpatient GI endoscopy cases from the proposed Mission GI South service area is shown in the table below:

**Mission Hospital  
 Expected Outpatient GI Endoscopy Cases  
 From Mission GI South Service Area**

	<b>PY 1 FY 2014</b>	<b>PY 2 FY 2015</b>	<b>PY 3 FY 2016</b>
<b>Buncombe County Service Area ZIP Codes</b>			
Mission GI Endo Cases	1,426	1,439	1,452
Percent Outpatient at Mission	62.7%	62.7%	62.7%
Projected Mission Outpatient GI Endo Cases	894	902	910
<b>Henderson County</b>			
Mission GI Endo Cases	559	568	576
Percent Outpatient at Mission	62.7%	62.7%	62.7%
Projected Mission Outpatient GI Endo Cases	350	356	361

**Step 10: Calculate Mission Hospital Outpatient GI Endoscopy Procedures from Mission GI South Service Area**

The applicant continues on page 46:

*“In FY 2011, outpatient GI endoscopy utilization averaged 1.24 procedures per outpatient case at Mission Hospital. ... Mission multiplied total expected outpatient GI endoscopy cases (Step 9) by 1.24 procedures per outpatient case to calculate Mission Hospital[’s] projected outpatient GI endoscopy procedures for residents of*

Mission GI South Service Area as shown in the following table.” [Emphasis in original.]

**Mission Hospital**

**Expected Outpatient GI Endoscopy Procedures from Mission GI South Service Area**

		<b>PY 1 FY 2014</b>	<b>PY 2 FY 2015</b>	<b>PY 3 FY 2016</b>
	<b>Buncombe County Service Area ZIP Codes</b>			
Step 9	Projected Mission Outpatient GI Endo Cases	894	902	910
Step 4	Mission Procedures Per Outpatient Case	1.24	1.24	1.24
	Projected Mission Outpatient Procedures	1,107	1,118	1,128
	<b>Henderson County</b>			
Step 9	Projected Mission Outpatient GI Endo Cases	350	356	361
Step 4	Mission Procedures Per Outpatient Case	1.24	1.24	1.24
	Projected Mission Outpatient Procedures	434	441	448

**Step 11: Project Mission GI South Outpatient GI Endoscopy Procedures**

On page 47, the applicant states that although 100% of the outpatient procedures from the defined service area could be shifted to the Mission GI South location, not all patients will shift: “*some patients may be more complex, some have co-morbidities, and other patients may choose to continue to go to the Mission campus in Asheville.*” The applicant states it assumed that 85% of patients will shift to the new location, as shown in the following table.

**Mission GI South GI Endoscopy Utilization Projections**

		<b>PY 1 FY 2014</b>	<b>PY 2 FY 2015</b>	<b>PY 3 FY 2016</b>
	<b>Buncombe County Service Area ZIP Codes</b>			
Step 10	Projected Mission Outpatient Procedures	1,107	1,118	1,128
	Outpatient GI Procs shifted to Mission GI South	85%	85%	85%
	Projected Mission GI South Outpatient Procs	941	950	959
	<b>Henderson County</b>			
Step 10	Projected Mission Outpatient Procedures	434	441	448
	Outpatient GI Procs shifted to Mission GI South	85%	85%	85%
	Projected Mission GI South Outpatient Procs	369	375	381
	<b>Combined – Total Service Area</b>			
	Mission GI South Total Procedures	1,310	1,325	1,339
	GI Endoscopy rooms needed at Mission GI South @ 1,500 procedures per room	1	1	1

Need Analysis

Mission Hospital currently operates six licensed GI endoscopy rooms on its main campus in Asheville, in the middle of Buncombe County. The applicant proposes to relocate one of its existing GI endoscopy rooms to a new location in Fletcher, in the southern portion of Buncombe County, on the county line between Buncombe and Henderson counties (literally). The proposed new location will be called Mission GI South. The applicant

does not propose to establish a new, separately licensed ambulatory surgical facility. Rather, the relocated GI endoscopy room will remain on the hospital's license. Mission GI South can be thought of as a "satellite" GI endoscopy room of Mission Hospital. In Section III.1(b), the applicant states, "*The proposed satellite GI endoscopy room at Mission GI South is projected to become operational in October 2013.*"

In Sections III.6 and III.7, pages 59-61, the applicant states that Buncombe and Henderson counties make up 63.1% of Mission Hospital's service area (Buncombe = 55.9% and Henderson = 7.2%). Within this service area, the applicant has identified a "sub-service area" for Mission GI South consisting of three ZIP Codes in Buncombe County plus all of Henderson County. The applicant states it proposes to serve existing Mission Hospital patients who live in the "sub-service area" and currently travel to the main campus in Asheville, thereby providing GI endoscopy services to Mission's existing patients in a location closer to where they live. However, patients who live in the northern part of ZIP Code 28806 would have to travel farther to go to Mission GI South. The applicant does not adequately explain why patients who live in the northern part of ZIP Code 28806 would travel through Asheville to Fletcher to utilize another hospital-based GI endoscopy room.

In Section III.1(a), page 25, the applicant states, "*The proposed GI service at Mission GI South will provide improved access for the significant number of residents from south Buncombe County and Henderson County who currently choose to seek care at Mission and The Endoscopy Center in Buncombe County.*" [Emphasis added.] This statement is "curious" in that it implies that patients are expected to shift from The Endoscopy Center in Asheville to Mission GI South. This is not consistent with the applicant's assertions that only current Mission patients are expected to shift to Mission GI South.

As the relocated GI endoscopy room will remain on Mission Hospital's license and continue to be counted in the hospital's inventory of licensed GI endoscopy rooms, the applicant projected utilization at Mission GI South based on Mission Hospital's historical utilization of all six existing licensed GI endoscopy rooms. In Section III.1(b), page 35, the applicant illustrates that from CY 2008 to CY 2010, the total number of procedures (inpatient and outpatient) performed in the six existing licensed GI endoscopy rooms at Mission Hospital decreased over the three-year period, increasing only in CY 2011. When CY 2011 is added to the analysis, the average annual growth rate increases from -2.3% to 0.7%.

The number of GI endoscopy procedures has remained relatively flat not just at Mission Hospital, but for other hospital-based providers as well. In fact, the total number of procedures at the five existing GI endoscopy providers in Buncombe and Henderson counties has remained relatively flat or declined from FY 2008 to FY 2011. Data in the 2009-2012 LRAs indicate that a total of 32,490 procedures were performed in Buncombe and Henderson counties in FY 2008 and a total of 31,863 procedures were performed in FY 2011. From FY 2008 to FY 2011, there was a 1.9% decrease in the number of total procedures performed in Buncombe and Henderson counties.

There are 11 GI endoscopy rooms in Buncombe County. Mission Hospital has six rooms and The Endoscopy Center has five rooms, all of which are located in the middle of Buncombe County. Historical utilization of the 11 GI endoscopy rooms is illustrated below:

**Buncombe County GI Endoscopy Room Utilization**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>% Increase (Decrease) 2008-2011</b>
# Rooms	11	11	11	11	-
# Cases	17,512	17,870	17,543	17,940	2.4%
# Procedures	23,312	23,517	23,426	23,704	1.7%
# Procedures per Room	2,119	2,138	2,130	2,155	1.7%

\*Source: Exhibit 16, Table 13 (2009, 2010, 2011, and 2012 LRAs.)

As shown in the table above, utilization in Buncombe County has remained relatively flat, as the number of cases and procedures have increased by just 2.4% and 1.7%, respectively, from FY 2008 to FY 2011.

There are six GI endoscopy rooms in Henderson County. Carolina Mountain Gastroenterology Endoscopy Center has two rooms, Margaret R. Pardee Memorial Hospital has three rooms, and Park Ridge Hospital has one room. Historical utilization of Henderson County's six endoscopy rooms is illustrated below:

**Henderson County GI Endoscopy Room Utilization**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>% Increase (Decrease) 2008-2011</b>
# Rooms	6	6	6	6	-
# Cases	8,194	6,627	6,470	6,483	(20.9%)
# Procedures	9,178	8,431	8,426	8,325	(9.3%)
# Procedures per Room	1,530	1,405	1,404	1,388	(9.3%)

\*Source: Exhibit 16, Table 13 (2009, 2010, 2011, and 2012 LRAs.)

Conversely, utilization in Henderson County has decreased, as the number of cases and procedures have decreased by 20.9% and 9.3%, respectively, over the same time period. In fact, the number of procedures performed per room in Henderson County's six GI endoscopy rooms in FY 2011, 1,388 procedures per room, is well below the performance standard in G.S. 131E-182(a) and 10A NCAC 14C .3900 that requires an applicant to demonstrate it will perform at least 1,500 procedures per room in order to add a room. Thus, the facilities in Henderson County have unutilized capacity. By contrast, the number of procedures performed per room in Buncombe County's 11 GI endoscopy rooms in FY 2011 was 2,155 procedures per room. Thus, it does not appear that one of the eleven existing rooms in Buncombe County should be moved to the Buncombe/Henderson County line (literally).

Furthermore, while the applicant's utilization methodology assumes a 0.2% growth rate in the number of procedures through the project years, the growth in procedures in

Henderson County has declined by 1.2% over the past two years (FY 2009 – FY 2011). The applicant proposes to locate the Mission GI South campus on the Buncombe/Henderson County line (literally), where Henderson County GI endoscopy utilization is decreasing more rapidly than utilization is increasing in Buncombe County. Additionally, the six GI endoscopy rooms in Henderson County are in relative close proximity to the proposed Mission GI South campus—Park Ridge Hospital is approximately 4.4 miles; Carolina Mountain Gastroenterology Endoscopy Center is approximately 11.6 miles; and Margaret R. Pardee Memorial Hospital is approximately 11.6 miles. Park Ridge Hospital (the facility closest to the proposed Mission GI South campus) performed the fewest number of GI endoscopy cases and procedures of the three Henderson County GI endoscopy facilities. Park Ridge Hospital performed just 774 procedures per room<sup>1</sup> in FY 2011—well below the performance standard in G.S. 131E-182(a) and 10A NCAC 14C .3900, which is 1,500 procedures per room. Thus, there is existing capacity for additional GI endoscopy procedures in the Mission GI South service area. Furthermore, growth of Henderson County’s population and economic development in the proposed Mission GI South service area, discussed by the applicant in Section II.1, pages 21-24, has not kept the volume of GI endoscopy cases or procedures performed at facilities in the proposed service area from continuing to decrease. The applicant does not adequately demonstrate the need to move one of its six existing GI endoscopy rooms to the Buncombe/Henderson County line (literally).

In summary, the applicant did not adequately demonstrate the need that the population has for the proposal. Therefore, the application is nonconforming to this criterion.

- (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.

### C

The applicant proposes to relocate one of its six existing GI endoscopy rooms from Mission Hospital’s main campus in Asheville to Fletcher, in Buncombe County. The relocated GI endoscopy room will be called Mission GI South, and will serve as a “satellite” location that will enable the applicant to provide care to patients who live in southern Buncombe County and in Henderson County but who are currently traveling to Mission Hospital. The applicant states that the Buncombe and Henderson County patients projected to be served at the relocated GI endoscopy room represent a shift of existing patients from Mission’s main campus in Asheville to the new location in

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<sup>1</sup> In the LRAs for FYs 2009, 2010, and 2011, Park Ridge reported performing 649, 676 and 608 cases, respectively, but 0 procedures. The applicant used the same ratio of procedures/cases as Park Ridge reported in its FY 2008 LRA (970 procedures / 762 cases = 1.27 procedures per case) in FYs 2009, 2010 and 2011.

Fletcher, thereby providing some of these patients easier geographic access to services. However, some of the GI endoscopy patients from Henderson County who are currently traveling to Mission Hospital do so because their acuity requires that the procedure be done in a hospital. They will continue to travel to Mission Hospital. In addition, patients living in the northern part of ZIP Code 28806 will have to travel farther to go to Mission GI South, so they too, may continue to use the Asheville campus of Mission Hospital for GI endoscopy services. Mission Hospital estimates that 15% of the residents of southern Buncombe County and Henderson County who currently travel to Asheville would continue to do so.

The five GI endoscopy rooms remaining on the Asheville campus of Mission Hospital should provide sufficient capacity to serve existing and projected GI endoscopy patients in Asheville. In Section IV.1(c), page 66, the applicant shows that in FY 2011, Mission Hospital performed 9,290 procedures in six GI endoscopy rooms at its main campus in Asheville or 1,548 procedures per room ( $9,290 \text{ procedures} / 6 \text{ rooms} = 1,548 \text{ procedures per room}$ ). In CY 2016 (Project Year 3), the applicant projects to perform 8,037 procedures in the remaining five rooms in Asheville or 1,607 procedures per room ( $8,037 \text{ procedures} / 5 \text{ rooms} = 1,607 \text{ procedures per room}$ ). Therefore, the relocation of one GI endoscopy room to Fletcher will not result in the overutilization of the five remaining rooms in Asheville. The applicant adequately demonstrates that GI endoscopy patients who will continue to use the Asheville campus will not be adversely affected by the relocation of one GI endoscopy room to Fletcher. Consequently, the application is conforming to this criterion.

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

NC

In Section III.8, pages 61-62, the applicant describes only two alternatives that it considered. One, the applicant considered relocating two rooms to southern Buncombe County instead of one room, but determined that the volume of existing cases originating from the southern portion of the county would not support two rooms. Two, the applicant considered relocating GI endoscopy services to the northern area of Buncombe County because it is also one of the fastest growing areas around Asheville, but stated that the northern option would not improve accessibility for the southern part of Buncombe County and to Henderson County. However, the applicant does not provide information to document that the chosen location in Fletcher would provide access to more of its current GI endoscopy patients than the northern option would, nor did the applicant discuss the lack of any GI endoscopy facilities in northern area of Buncombe County that could serve not only northern Buncombe County patients but those from Madison and Yancey Counties where there are no GI endoscopy facilities. Furthermore, the applicant does not state whether it considered a more central location in Buncombe County, but off of the main campus where parking and entering would be easier than on

the main campus and the drive time would be less than to Mission GI South. In addition, the applicant does not state that it considered licensing the proposed facility as an ambulatory surgical facility. Doing so could result in lower copays and deductibles for patients, depending on their insurance plan. This in turn could increase access to colorectal screening. The application contains nothing to indicate that Mission Hospital considered this alternative or to explain why the chosen alternative is less costly or more effective.

The land and the MOB in which the relocated GI endoscopy room will operate straddle the Buncombe/Henderson County line (literally). Exhibit 28 includes a copy of the warranty deed for the portion of the property in Buncombe County and a copy of the warranty deed for the portion of the property in Henderson County. Both deeds state the following, *“This deed is one of two deeds describing the above property, one being recorded in Buncombe County and one in Henderson County.”* The majority of the property (65%) is located in Henderson County. Exhibit 28, page 482, includes an attachment to one of the warranty deeds describing the property as follows: *“Lying in Buncombe and Henderson Counties, being a tract of 7.739 acres, of which 2.735 acres are located in Buncombe County and 5.004 acres are located in Henderson County...”* Exhibit 29 includes a line drawing that shows that the county line crosses through the land and the MOB. Exhibit 6 includes a line drawing of the proposed GI endoscopy suite that shows the county line cuts through the MOB just at the south side of the proposed suite.

However, the endoscopy suite as drawn does not include any space for reception/registration or a waiting area. Thus, as illustrated in the line drawings, the space in which the proposed relocated GI endoscopy suite will be located is just barely in Buncombe County, while the space for reception/registration and waiting area is in Henderson County. Because the applicant proposes that the relocated GI endoscopy room remain on the hospital license, all of the necessary space for the GI endoscopy services must be physically located in Buncombe County, where Mission Hospital is licensed. See 10A NCAC 13B .310K(f). Thus, the services cannot be provided as proposed in the space as shown in the design schematic in Exhibit 6.

In Section I.7 and I.8, page 2, the applicant states the physical address of the proposed relocated GI endoscopy room is 2651 Hendersonville Road in the Town of Fletcher, in Buncombe County. However, because part of the space necessary for a hospital licensed endoscopy suite is located in Henderson County, there would be a change in the inventory of operating rooms in Buncombe and Henderson counties.

In Section III.1(a), pages 21-22 and III.2, page 50, the applicant states that the total drive time plus time to park and walk to admissions will be shorter for patients living in both Buncombe and Henderson counties who currently travel to Mission Hospital in downtown Asheville for GI endoscopy services. The applicant compares the “total travel time” from 8 locations in the proposed service area of Buncombe County to Mission GI South and to Mission Hospital. The travel time from all eight of the locations to Mission GI South is actually longer than the travel time to Mission Hospital. The time savings for

patients switching from Mission Hospital to Mission GI South would not be the actual travel time, but the reduced time to park, enter the building and arrive at check-in. Total travel time could be further saved if the applicant had chosen an outpatient location closer to Mission Hospital, but off of the main hospital campus thus avoiding the parking and entering problem. In addition, the GI endoscopy services could further meet the applicant’s “*more accessible outpatient GI Services*” goal if the proposed project were not licensed as part of the hospital, but licensed as an ambulatory surgical facility which could make the services more accessible financially as well (due to lower copays and deductibles).

In Section III.1(b), page 35, the applicant states:

*“As shown in the previous tables, total GI endoscopy cases increased 0.7% during the last 4 calendar years, and 0.2% during the last four fiscal years at a time where the development of freestanding GI centers has resulted in a redistribution of outpatients from hospital-based GI endoscopy programs.”*

The applicant is correct: GI endoscopy cases have shifted from hospital-based endoscopy suites to the free-standing, non-hospital based facilities. There are two free-standing, non-hospital based GI endoscopy facilities in Buncombe and Henderson counties. The Endoscopy Center in Asheville opened in 1992, while Carolina Mountain Gastroenterology Endoscopy Center obtained a license in late 2006 in Henderson County. As shown in the table below, regarding Buncombe County patients: the two non-hospital based facilities saw an increase in number of cases and in market share from FY 2007 through FY 2011 even though the entire county saw a decrease of 2.2% in case volume.

**Buncombe County Residents GI Endoscopy Case Volume by Provider FY 2007- FY 2011**

<b>Provider</b>		<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>% Change from 2007- 2011</b>
The Endoscopy Center	Cases	6,515	6,460	7,081	6,958	6,830	4.8%
	% Mkt Share	55.8%	57.3%	61.0%	60.6%	59.8%	7%
Mission Hospital	Cases	4,561	4,022	3,925	3,730	3,951	-13.4%
	% Mkt Share	39.0%	35.7%	33.8%	32.5%	34.6%	-11%
Park Ridge	Cases	282	133	95	133	99	-64.9%

	% Mkt Share	2.4%	1.2%	0.8%	1.2%	0.9%	62.5%
All Other	Cases	202	224	244	290	248	22.8%
	% Mkt Share	1.7%	2.0%	2.1%	2.5%	2.2%	29.4%
Pardee Memorial Hospital	Cases	113	109	101	76	116	2.7%
	% Mkt Share	0.1%	1.0%	0.9%	0.7%	1.0%	900%
Carolina Mountain GI Endoscopy Center*	Cases	9	330	153	297	181	1911%
	% Mkt Share	0.1%	2.9%	1.3%	2.6%	1.6%	15%
Buncombe County Total	Cases	11,682	11,278	11,599	11,484	11,425	-2.2%
	% Mkt Share	100%	100%	100%	100%	100%	--

\* Facility obtained a license October 27, 2006, 2<sup>nd</sup> room opened May 2008.

Source: Section III.1(b), page 43.

As shown in the table below, regarding Henderson County patients: the two non-hospital based facilities saw an increase in number of cases from FY 2007 through FY 2011 while the hospital-based providers each had a decrease in case volume during the same time. Carolina Mountain GI Endoscopy Center, which obtained a license in 2006, grew from 2% market share in FY 2007 to 37.5% market share in FY 2011.

**Henderson County Residents GI Endoscopy Case Volume by Provider FY 2007- FY 2011**

Provider		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	% Change from 2007- 2011
The Endoscopy Center	Cases	942	908	964	1003	972	3.2%
	% Mkt Share	16.6%	12.5%	14.7%	16.1%	15.5%	-6.6%
Mission Hospital	Cases	509	483	453	452	506	-0.6%
	% Mkt Share	8.9%	6.7%	6.9%	7.2%	8.1%	-9.0%

Park Ridge	Cases	731	517	461	454	438	-40.1%
	% Mkt Share	12.9%	7.1%	7.0%	7.3%	7.0%	-45.7%
All Other	Cases	121	138	168	173	89	-26.4%
	% Mkt Share	2.1%	1.9%	2.6%	2.8%	1.4%	-33.3%
Pardee Memorial Hospital	Cases	3,283	3,133	2,816	2,100	1,917	-41.6%
	% Mkt Share	57.7%	43.3%	42.9%	33.6%	30.5%	-47.1%
Carolina Mountain GI Endoscopy Center*	Cases	102	2,064	1,709	2,063	2,256	2112%
	% Mkt Share	1.8%	28.5%	26.0%	33.0%	37.5%	1983%
Henderson County Total	Cases	5,688	7,243	6,571	6,245	6,278	10.4%
	% Mkt Share	100%	100%	100%	100%	100%	--

\* Facility licensed October 27, 2006, 2<sup>nd</sup> room opened May 2008.  
 Source: Section III.1(b), page 44.

The data in the table above indicates a patient preference for freestanding non-hospital based facilities.

Not only does the Buncombe and Henderson County data indicate a patient preference for free-standing, non-hospital based facilities, the North Carolina statewide data does as well. See the table below.

**GI Endoscopy Facilities in North Carolina  
 Hospital-Based and Ambulatory Surgery Facilities**

	Total GI Endo Procedures	Total # GI Endo Rooms	Average # Procs/ Room	Median # Procs/ Room	Lowest # Procs/ Facility	Highest # Procs/ Facility
<b>Hospital-Based Facilities</b>	284,636	265	1,074	819	54	3,564
<b>AmSurg Facilities</b>	299,061	173	1,729	1,690	55	4,080

Source: 2012 LRAs

Note: Hospitals with no dedicated GI endoscopy rooms were not included. For facilities that reported only cases, and no procedures, the analyst assumed a minimum of 1 procedure per case was performed.

Patient preference for free-standing, non-hospital based facilities may be due in part to lower copays and deductibles. The applicant fails to explain why it did not consider the alternative of creating a separately licensed ambulatory surgical facility.

In Exhibit 29, the applicant provides a cost estimate from a Registered Architect for construction of the proposed project and related space in the MOB. Mission Hospital purchased the land where the MOB will be located in 2006; therefore the property cost is not included in the capital costs for the purpose of this application. The applicant states that a “developer” will own the building and Mission Hospital will lease space in the MOB for Mission GI South. The architect’s cost estimate also indicates that Mission Hospital is a 40% owner of the entity that will own the MOB. The cost estimate allocates 40% of the cost of construction for the reviewable portion of the MOB to the capital cost of the project. The applicant adequately demonstrates that it, not the developer, will incur

the obligation for a capital expenditure which is a new institutional health service (i.e., developing space for a relocated GI endoscopy room in a licensed health service facility).

However, the applicant did not adequately demonstrate that the most effective alternative has been proposed to meet the need which the applicant states exists. See discussion in Criterion (4) above.

Furthermore, the application is not conforming to all other applicable statutory review criteria for the reasons stated in each of those other criteria which makes the application not approvable. An application that cannot be approved is not an effective alternative.

In summary, the applicant did not adequately demonstrate that the proposal is its least costly or most effective alternative and the application is nonconforming 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.

NC

In Section VIII, page 89, the applicant states that the total capital cost is projected be \$1,593,772, including \$766,024 for construction costs and \$827,748 for miscellaneous project costs, which consist of \$624,138 for fixed equipment, \$37,530 for furniture, and \$27,209 for architectural and engineering fees.

In the letter included in Exhibit 29, the Registered Architect states that total building costs for the Mission GI South portion of the building will be \$940,709, with the developer's ownership portion being 60% (\$564,425) and Mission Hospital's ownership portion being 40% (\$376,284). The applicant adequately demonstrates that the cost to be incurred by the developer should not be included. See also Section VIII.1, pages 90-91. See discussion in Criterion (4) regarding this issue which is incorporated hereby as if fully set forth herein.

In Section IX, page 96, the applicant projects there will be \$47,628 in start-up expenses associated with the project.

Exhibit 26 contains a letter signed by a Senior Vice President, Finance and Chief Financial Officer at Mission Hospital, which states,

*“Mission is positioned financially and commits to fund the project cost of \$1,593,772 through operations and/or accumulated cash reserves. In addition, Mission will require start-up and initial operating expenses for the proposed project in the amount of \$47,628.00. Funds are available for both the capital and start-up expenses*

*associated with this project, in addition to several other projects which have been approved or are under review by the Agency as reflected in the 2011 Audited Financial Statements, which are included as part of this Application.”*

Exhibit 27 contains the Combined Financial Statements and Schedules for Mission Health System, Inc. and Affiliates for the years ended September 30, 2011 and 2010. As of September 30, 2011 the applicant had Cash and Cash Equivalents of \$118,518,000, Total Current Assets of \$328,356,000, and Total Net Assets of \$1,010,164,000 (Total Assets - Total Liabilities).

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project.

In the Pro Forma Section (Forms A, B, C, D, & E), pages 110 and 114, the applicant provides a statement of revenues and expenses (Form C) for all GI endoscopy services provided by Mission Hospital (including Mission GI South) and just Mission GI South.

*Mission GI Endoscopy (including Mission GI South)*

In the Form C for Mission Hospital (page 110), the applicant projects revenues will exceed operating costs in the first three years of the project.

However, there are inconsistencies between Form C, Form D and Form E. The Gross Revenue totals for the whole endoscopy department found on Form D, page 111, correspond to the Gross Patient Revenue totals on Form C, page 110; however, the difference between the Net Revenue Totals in Form E, page 112 and the Gross Revenue Totals in Form D do not equal the Deductions from Gross Patient Revenue found on Form C.

Project Year 2 (FY 2015)	
Gross Patient Revenue (Form C)	\$206,271,935.00
Gross Revenue (Form D)	\$206,271,935.00
Net Patient Revenue (Form C)	\$66,153,246.00
Net Revenue (Form E)	\$67,799,990.63
Gross Revenue (Form D) \$206,271,935.00 –	
Net Revenue (Form E) \$67,799,990.63 =	\$138,471,944.37
Deductions from Gross Patient Revenue (Form C)	\$140,118,689.00
Difference	\$1,646,744.63

See tables below.

**Form C – Mission Hospital GI Endoscopy Department (Including Mission GI South)**

Mission GI Endo Total Department	PY 1 FY 2014	PY 2 FY 2015	PY 3 FY 2016
# GI Endo Cases	7,113	7,126	7,139
<b>REVENUE</b>			
<b>Gross Patient Revenue</b>			
Self Pay / Indigent / Charity	4,351,777	4,664,912	4,991,456
Medicare / Medicare Managed Care	104,139,057	111,632,443	119,446,714
Medicaid	39,072,833	41,884,342	44,816,246
Commercial Insurance	2,986,845	3,201,765	3,425,888
Managed Care	36,168,578	38,771,109	41,485,086
NC State, Other, Workers' Comp	5,706,734	6,117,365	6,545,580
<b>Total</b>	<b>192,425,824</b>	<b>206,271,935</b>	<b>220,710,970</b>
<b>Deductions from Gross Patient Revenue</b>			
Charity Care	6,619,448	7,095,755	7,592,457
Bad Debt	9,929,173	10,643,632	11,388,686
Medicare Contractual Adjustment	75,553,530	82,421,917	89,651,977
Medicaid Contractual Adjustment	30,260,111	33,055,513	35,987,417
Other Contractual Adjustments	6,072,778	6,901,873	7,799,249
<b>Total Deductions from Patient Revenue</b>	<b>128,435,040</b>	<b>140,118,689</b>	<b>152,419,786</b>
<b>Net Patient Revenue</b>	63,990,784	66,153,246	68,291,184
Other Revenue			
<b>Total Revenue</b>	63,990,784	66,153,246	68,291,184

**Mission Hospital GI Endoscopy Department (Including Mission GI South)  
 Project Year 1 FY 2014**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Charge</b>	<b>Gross Revenue</b>
Self Pay / Indigent / Charity	4.10%	292	\$14,922.10	\$4,351,777.31
Medicare / Medicare Managed Care	50.10%	3,564	\$29,222.89	\$104,139,057.33
Medicaid	13.60%	967	\$40,390.87	\$39,072,833.44
Commercial Insurance	1.00%	71	\$41,991.35	\$2,986,844.74
Managed Care	27.80%	1,977	\$18,290.85	\$36,168,577.96
NC State, Other, Workers' Comp	3.40%	242	\$23,596.95	\$5,706,733.53
<b>Total</b>	<b>100.00%</b>	<b>7,113</b>	<b>\$27,052.70</b>	<b>\$192,425,824.30</b>

**Form D - Gross Revenue Worksheet  
 Mission Hospital GI Endoscopy Department (Including Mission GI South)  
 Project Year 2 FY 2015**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Charge</b>	<b>Gross Revenue</b>
Self Pay / Indigent / Charity	4.10%	292	\$15,966.65	\$4,664,991.94
Medicare / Medicare Managed Care	50.10%	3,570	\$31,268.49	\$111,632,443.00
Medicaid	13.60%	969	\$43,218.23	\$41,884,341.61
Commercial Insurance	1.00%	71	\$44,930.74	\$3,201,764.87
Managed Care	27.80%	1,981	\$19,571.21	\$38,771,108.76
NC State, Other, Workers' Comp	3.40%	242	\$25,248.74	\$6,117,364.82
<b>Total</b>	<b>100.00%</b>	<b>7,126</b>	<b>\$28,946.38</b>	<b>\$206,271,935.00</b>

**Form D - Gross Revenue Worksheet  
 Mission Hospital GI Endoscopy Department (Including Mission GI South)  
 Project Year 3 FY 2016**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Charge</b>	<b>Gross Revenue</b>
Self Pay / Indigent / Charity	4.10%	292	\$17,084.31	\$4,991,455.78
Medicare / Medicare Managed Care	50.10%	3,570	\$33,457.28	\$119,446,714.01
Medicaid	13.60%	969	\$46,243.51	\$44,816,245.52
Commercial Insurance	1.00%	71	\$48,075.90	\$3,425,888.41
Managed Care	27.80%	1,981	\$20,941.19	\$41,485,086.38
NC State, Other, Workers' Comp	3.40%	242	\$27,016.15	\$6,545,580.35
<b>Total</b>	<b>100.00%</b>	<b>7,126</b>	<b>\$30,972.63</b>	<b>\$220,710,970.45</b>

**Form E - Reimbursement Worksheet  
 Mission Hospital GI Endoscopy Department (Including Mission GI South)  
 Project Year 1 FY 2014**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Reimb. Rate</b>	<b>Net Revenue</b>
Self Pay / Indigent / Charity	4.10%	292	\$1,141.64	\$332,940.69
Medicare / Medicare Managed Care	50.10%	3,564	\$8,021.50	\$28,585,526.95
Medicaid	13.60%	967	\$9,110.00	\$8,812,722.48
Commercial Insurance	1.00%	71	\$13,517.34	\$961,488.45
Managed Care	27.80%	1,977	\$12,286.43	\$24,295,350.34
NC State, Other, Workers' Comp	3.40%	242	\$10,137.69	\$2,451,719.22
<b>Total</b>	<b>100.00%</b>	<b>7,113</b>	<b>\$9,200.02</b>	<b>\$65,439,748.13</b>

**Mission Hospital GI Endoscopy Department (Including Mission GI South)  
 Project Year 2 FY 2015**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Reimb. Rate</b>	<b>Net Revenue</b>
Self Pay / Indigent / Charity	4.10%	292	\$1,149.63	\$335,884.03
Medicare / Medicare Managed Care	50.10%	3,570	\$8,181.93	\$29,210,526.41
Medicaid	13.60%	969	\$9,110.00	\$8,828,828.96
Commercial Insurance	1.00%	71	\$14,328.38	\$1,021,040.45
Managed Care	27.80%	1,981	\$13,023.61	\$25,800,138.69
NC State, Other, Workers' Comp	3.40%	242	\$10,745.95	\$2,603,572.09
<b>Total</b>	<b>100.00%</b>	<b>7,126</b>	<b>\$9,514.45</b>	<b>\$67,799,990.63</b>

**Form E - Reimbursement Worksheet  
 Mission Hospital GI Endoscopy Department (Including Mission GI South)  
 Project Year 3 FY 2016**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Reimb. Rate</b>	<b>Net Revenue</b>
Self Pay / Indigent / Charity	4.10%	292	\$1,157.68	\$338,235.22
Medicare / Medicare Managed Care	50.10%	3,570	\$8,345.57	\$29,794,736.94
Medicaid	13.60%	969	\$9,110.00	\$8,828,828.96
Commercial Insurance	1.00%	71	\$15,188.08	\$1,082,302.88
Managed Care	27.80%	1,981	\$13,805.03	\$27,348,147.01
NC State, Other, Workers' Comp	3.40%	242	\$11,390.71	\$2,759,786.41
<b>Total</b>	<b>100.00%</b>	<b>7,126</b>	<b>\$9,844.52</b>	<b>\$70,152,037.41</b>

Furthermore, in Form D, the applicant uses the same number of projected cases for the whole endoscopy department for Project Year 2 (7,126) and for Project Year 3. However, in Section III.1(b) pages 32, 38, and 39 the number of projected cases for Project Year 3 is 7,139, not 7,126. In Form C, the applicant references 7,139 as the number of cases for Project Year 3; however, it uses the Gross Patient Revenue data for 7,126 cases.

Therefore, it is not possible to determine the projected average reimbursement rate for the entire endoscopy department. Consequently, the applicant does not adequately demonstrate that projected charges are based on reasonable, credible and supported assumptions.

*Mission GI South*

On the Form C for Mission GI South (page 114), the applicant projects that revenues will exceed operating costs in the first three years of the project.

However, there are inconsistencies between Form C, Form D and Form E. The Gross Revenue totals for Mission GI South found on Form D, page 115, correspond to the Gross Patient Revenue totals on Form C, page 114; however the difference between the Net Revenue Totals in Form E, page 116 and the Gross Revenue totals do not equal the Deductions from Gross Patient Revenue found on Form C.

Project Year 2 (FY 2015)	
Gross Patient Revenue (Form C)	\$6,020,320.00
Gross Revenue (Form D)	\$6,020,319.55
Net Patient Revenue (Form C)	\$2,213,276.00
Net Revenue (Form E)	\$2,361,431.93
Gross Revenue (Form D) \$6,020,319.55-	
Net Revenue (Form E) \$2,361,431.93 =	\$3,658,887.62
Deductions from Gross Patient Revenue (Form C)	\$3,807,043.00
Difference	\$148,155.38

See the tables below:

**Form C – Mission GI South**

Mission GI South	PY 1 FY 2014	PY 2 FY 2015	PY 3 FY 2016
# GI Endo Cases	1,057	1,069	1,081
<b>REVENUE</b>			
<b>Gross Patient Revenue</b>			
Self Pay / Indigent / Charity	281,375	304,489	329,461
Medicare / Medicare Managed Care	2,403,039	2,600,443	2,813,709
Medicaid	615,495	666,057	720,681
Commercial Insurance	45,203	48,916	52,928
Managed Care	1,946,879	2,106,811	2,279,593
NC State, Other, Workers' Comp	271,316	293,604	317,682
<b>Total</b>	<b>5,563,307</b>	<b>6,020,320</b>	<b>6,5145,053</b>
<b>Deductions from Gross Patient Revenue</b>			
Charity Care	222,532	240,813	260,562
Bad Debt	333,798	361,219	390,843
Medicare Contractual Adjustment	1,788,147	1,966,133	2,159,449
Medicaid Contractual Adjustment	423,674	472,058	524,504
Other Contractual Adjustments	690,494	766,821	849,990
<b>Total Deductions from Patient Revenue</b>	<b>3,458,646</b>	<b>3,807,043</b>	<b>4,185,348</b>
<b>Net Patient Revenue</b>	2,104,662	2,213,276	2,328,705
Other Revenue			
<b>Total Revenue</b>	2,104,662	2,213,276	2,328,705

**Form D - Gross Revenue Worksheet  
 Mission GI South  
 Project Year 1 FY 2014**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Charge</b>	<b>Gross Revenue</b>
Self Pay / Indigent / Charity	5.20%	55	\$5,120.46	\$281,374.95
Medicare / Medicare Managed Care	44.04%	465	\$5,162.63	\$2,403,039.33
Medicaid	9.79%	103	\$5,950.42	\$615,495.09
Commercial Insurance	0.71%	8	\$5,993.26	\$45,202.99
Managed Care	35.17%	372	\$5,237.38	\$1,946,879.30
NC State, Other, Workers' Comp	5.10%	54	\$5,036.15	\$271,315.62
<b>Total</b>	<b>100.00%</b>	<b>1,057</b>	<b>\$5,263.30</b>	<b>\$5,563,307.28</b>

**Form D - Gross Revenue Worksheet  
 Mission GI South  
 Project Year 2 FY 2015**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Charge</b>	<b>Gross Revenue</b>
Self Pay / Indigent / Charity	5.20%	56	\$5,478.90	\$304,489.23
Medicare / Medicare Managed Care	44.04%	471	\$5,524.02	\$2,600,443.21
Medicaid	9.79%	105	\$6,366.95	\$666,056.52
Commercial Insurance	0.71%	8	\$6,412.79	\$48,915.31
Managed Care	35.17%	376	\$5,603.99	\$2,106,810.74
NC State, Other, Workers' Comp	5.10%	54	\$5,388.68	\$293,603.54
<b>Total</b>	<b>100.00%</b>	<b>1,069</b>	<b>\$5,631.73</b>	<b>\$6,020,319.55</b>

**Form D - Gross Revenue Worksheet  
 Mission GI South  
 Project Year 3 FY 2016**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Charge</b>	<b>Gross Revenue</b>
Self Pay / Indigent / Charity	5.20%	56	\$5,862.42	\$329,460.76
Medicare / Medicare Managed Care	44.04%	476	\$5,910.70	\$2,813,708.74
Medicaid	9.79%	106	\$6,812.63	\$720,680.64
Commercial Insurance	0.71%	8	\$6,861.68	\$52,927.99
Managed Care	35.17%	380	\$5,996.27	\$2,279,592.87
NC State, Other, Workers' Comp	5.10%	55	\$5,765.89	\$317,682.33
<b>Total</b>	<b>100.00%</b>	<b>1,081</b>	<b>\$6,025.95</b>	<b>\$6,514,053.33</b>

**Form E - Reimbursement Worksheet  
 Mission GI South  
 Project Year 1 FY 2014**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Reimb. Rate</b>	<b>Net Revenue</b>
Self Pay / Indigent / Charity	5.20%	55	\$435.85	\$23,950.41
Medicare / Medicare Managed Care	44.04%	465	\$1,321.02	\$614,892.26
Medicaid	9.79%	103	\$1,854.47	\$191,821.26
Commercial Insurance	0.71%	8	\$4,293.78	\$32,385.01
Managed Care	35.17%	372	\$3,610.78	\$1,342,228.98
NC State, Other, Workers' Comp	5.10%	54	\$607.70	\$32,739.20
<b>Total</b>	<b>100.00%</b>	<b>1,057</b>	<b>\$9,200.02</b>	<b>\$2,238,017.12</b>

**Form E - Reimbursement Worksheet  
 Mission GI South  
 Project Year 2 FY 2015**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Reimb. Rate</b>	<b>Net Revenue</b>
Self Pay / Indigent / Charity	5.20%	56	\$438.90	\$24,391.87
Medicare / Medicare Managed Care	44.04%	471	\$1,347.44	\$634,310.53
Medicaid	9.79%	105	\$1,854.47	\$193,998.98
Commercial Insurance	0.71%	8	\$4,551.41	\$34,717.84
Managed Care	35.17%	376	\$3,827.43	\$1,438,915.18
NC State, Other, Workers' Comp	5.10%	54	\$644.17	\$35,097.54
<b>Total</b>	<b>100.00%</b>	<b>1,069</b>	<b>\$2,209.01</b>	<b>\$2,361,431.93</b>

**Form E - Reimbursement Worksheet  
 Mission GI South  
 Project Year 3 FY 2016**

	<b>% of Total</b>	<b># Cases</b>	<b>Projected Avg. Reimb. Rate</b>	<b>Net Revenue</b>
Self Pay / Indigent / Charity	5.20%	56	\$441.97	\$24,838.34
Medicare / Medicare Managed Care	44.04%	476	\$1,374.39	\$654,259.56
Medicaid	9.79%	106	\$1,854.47	\$196,176.71
Commercial Insurance	0.71%	8	\$4,824.49	\$37,214.02
Managed Care	35.17%	380	\$4,057.08	\$1,542,371.70
NC State, Other, Workers' Comp	5.10%	55	\$682.82	\$37,621.02
<b>Total</b>	<b>100.00%</b>	<b>1,081</b>	<b>\$2,305.72</b>	<b>\$2,492,481.34</b>

Therefore, it is not possible to determine the projected average reimbursement rate for Mission GI South. Consequently, the applicant does not adequately demonstrate that projected charges are based on reasonable, credible and supported assumptions.

In Exhibit 32, the applicant includes a description of three classes of sedation used in the endoscopy department. One level (Moderate Sedation) “*may be administered by an RN who has completed the sedation competency.*” The next level (Monitored Anesthesia Care) “*can only be administered by a Nurse Anesthetist under the direction of an Anesthesiologist.*” The third level (General Anesthesia) “*is only administered by a Nurse Anesthetist and Anesthesiologist. ... Patients under going general anesthesia must be recovered in the surgical PACU.*” Because there is no surgical PACU at the proposed GI endoscopy facility, the analyst assumes patients needing general anesthesia will only be served at the Mission Hospital Asheville campus location. However, because the applicant did not state otherwise, the analyst assumes the other two classes of sedation will be used at the Mission GI South location. Hospitals are required by 10A NCAC 13B .4004(b) to “*define the scope of anesthesia services that may be provided, the locations where such anesthesia services may be administered and who shall provide anesthesia services.*” However, in Section VII.2, page 93, the applicant does not propose any FTE Nurse Anesthetist (CRNA) positions. Moreover, the applicant does not adequately demonstrate that it has budgeted for any FTE CRNA positions and does not adequately

demonstrate that CRNAs will be available through any other arrangement (such as an independent contractor.) Thus, projected operating expenses are questionable.

In summary, the applicant did not adequately demonstrate that the financial feasibility of the proposal to offer GI endoscopy services in Fletcher is based upon reasonable projections of costs and charges. Therefore, the application is nonconforming to this criterion.

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

NC

Mission Hospital operates six licensed GI endoscopy rooms on its main campus in Asheville and proposes to relocate one of its existing GI endoscopy rooms to a new MOB in Fletcher. The relocated GI endoscopy room will continue to be licensed as a part of the hospital. However, the applicant did not adequately demonstrate that the proposal would not result in the unnecessary duplication of existing or approved GI endoscopy rooms in the service area defined by the applicant.

The applicant identified three ZIP Codes in Buncombe County plus all of Henderson County as the primary service area for Mission GI South. In Section III.1(b), page 33, the applicant projects to perform 1,310 procedures at Mission GI South in Project Year 1, 1,325 procedures in Project Year 2, and 1,339 procedures in Project Year 3. The applicant does not assume any in-migration from counties outside of Buncombe and Henderson counties, although it acknowledges that some patients from other counties may choose to use the proposed Mission GI South location.

The applicant proposes to locate the proposed Mission GI South on the Buncombe/Henderson County line (literally). From FY 2008 through FY 2011, the providers located in Buncombe County experienced very little growth in the number of GI endoscopy procedures performed, increasing by just 1.7% from FY 2008 to FY 2011  $((23,704-23,312)/23,312 = 392 / 23,312 = .0168)$ . In contrast, the providers located in Henderson County experienced a decline in the number of GI endoscopy procedures performed, decreasing by 9.3% over the same time period  $((8,325- 9,178)/ 9,178 = -853/ 9,178 = -.0929)$ , as shown in the following table.

**GI Endoscopy Procedures Performed in Buncombe and Henderson Counties FY 2008-FY 2011**

<b>Provider</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>% Change 2008 – 2011*</b>
The Endoscopy Center	14,370	14,982	14,765	14,414	0.3%
Mission Hospital	8,942	8,535	8,661	9,290	3.9%
<b>Total Buncombe County Providers</b>	<b>23,312</b>	<b>23,517</b>	<b>23,426</b>	<b>23,704</b>	<b>1.7%</b>
Carolina Mountain GI Endoscopy	3,646	3,316	3,475	4,520	24.0%
Pardee Memorial Hospital	4,562	4,289	4,090	3,031	-33.6%
Park Ridge**	970	826	861	774	-20.2%
<b>Total Henderson County Providers</b>	<b>9,178</b>	<b>8,431</b>	<b>8,426</b>	<b>8,325</b>	<b>-9.3%</b>

\*Calculated by analyst

\*\*In the LRAs for FY 2009, 2010, and 2011, Park Ridge reported performing 649, 676 and 608 cases, respectively, but 0 procedures. The applicant used the same ratio of procedures/cases as Park Ridge reported in its FY 2008 LRA (970 procedures / 762 cases = 1.27 procedures per case) in FYs 2009, 2010 and 2011.

Source: Exhibit 16, Table 13

Furthermore, since the applicant proposes to continue to license the relocated GI endoscopy room as a part of the hospital, the proposal will not alleviate the capacity constraints at the freestanding non-hospital based facilities, as shown in the table below.

**GI Endoscopy Procedures Performed in Buncombe and Henderson Counties FY 2011**

<b>Provider</b>	<b># GI Endoscopy Rooms</b>	<b>FY 2011 Procedures</b>	<b># Procedures per Room*</b>	<b>% Capacity (1,500)*</b>
<b>BUNCOMBE COUNTY</b>				
<b>Freestanding, Non-Hospital Based</b>				
The Endoscopy Center	5	14,414	2,883	192%
<b>Hospital-Based</b>				
Mission Hospital	6	9,290	1,548	103%
<b>Total Buncombe County Providers</b>	<b>11</b>	<b>23,704</b>	<b>2,155</b>	<b>144%</b>
<b>HENDERSON COUNTY</b>				
<b>Freestanding, Non-Hospital Based</b>				
Carolina Mountain GI Endoscopy	2	4,520	2,260	151%
<b>Hospital-Based</b>				
Pardee Memorial Hospital	3	3,031	909	61%
Park Ridge**	1	774	774	52%
<b>Total Henderson County Hospital-Based</b>	<b>4</b>	<b>3,805</b>	<b>951</b>	<b>63%</b>
<b>Total Henderson County Providers</b>	<b>6</b>	<b>8,325</b>	<b>1,388</b>	<b>93%</b>

\* Calculated by the analyst

\*\*In the LRAs for FY 2009, 2010, and 2011, Park Ridge reported performing 649, 676 and 608 cases, respectively, but 0 procedures. The applicant used the same ratio of procedures/cases as Park Ridge reported in its FY 2008 LRA (970 procedures / 762 cases = 1.27 procedures per case) in FYs 2009, 2010 and 2011.

Source: Exhibit 16, Table 13

As shown in the table above, the freestanding, non-hospital based providers are operating at a much higher percent of capacity than the hospital-based providers.

Additionally, the six GI endoscopy rooms in Henderson County are in relatively close proximity to the proposed Mission GI South campus: Park Ridge Hospital is approximately 4.4 miles; Carolina Mountain Gastroenterology Endoscopy Center is approximately 11.6 miles; and Margaret R. Pardee Memorial Hospital is approximately 11.6 miles. As can be seen in Section III.1(a), page 26, Park Ridge Hospital (the facility closest to the proposed Mission GI South campus) performed the fewest number of GI endoscopy cases and procedures of the three Henderson County GI endoscopy providers. The applicant shows that Park Ridge Hospital performed just 774 procedures per room<sup>2</sup> in FY 2011; well below the performance standard in G.S. 131E-182(a) and 10A NCAC 14C .3900 which requires an applicant to show that it will average at least 1,500 procedures per room per year in order to add a GI endoscopy room. Given the decline in GI endoscopy utilization in Henderson County and excess capacity in the six GI endoscopy rooms in operation in Henderson County, there is sufficient GI endoscopy capacity in the Mission GI South service area already. Thus, relocating an additional GI endoscopy room to the Buncombe/Henderson County line (literally) would result in an unnecessary duplication of existing GI endoscopy services in that geographic location.

In summary, the applicant does not adequately demonstrate that relocating an existing GI endoscopy room to the Buncombe/Henderson County line (literally) would not unnecessarily duplicate existing and approved GI endoscopy facilities in Henderson County. Therefore, the application is nonconforming with this criterion.

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

NC

The following table illustrates the current and projected staffing for GI endoscopy services at Mission Hospital and the proposed Mission GI South campus, as reported by the applicant in Section VII, pages 82-83.

Employee Category	# of Full-Time Equivalent (FTEs)		
	Mission Hospital (Current)	Mission Hospital & Mission GI South Combined (Project Year 2)	Mission GI South Only (Project Year 2)
	(A)	(B)	(C)
Registered Nurse	13.024	17.024	4
NAI/Unit Secretary	3	4	1
Endoscopy Tech	5	6	1
RN Supervisor	1	1	n/a

<sup>2</sup> In the LRAs for FYs 2009, 2010, and 2011, Park Ridge reported performing 649, 676 and 608 cases, respectively, but 0 procedures. The applicant used the same ratio of procedures/cases as Park Ridge reported in its FY 2008 LRA (970 procedures / 762 cases = 1.27 procedures per case) in FYs 2009, 2010 and 2011.

SPD Specialty Tech	3	4	1
<b>Applicant's Total</b>	<b>25.024</b>	<b>32.024</b>	<b>7</b>

\*\*Source: Sections VII.1 and VII.2.

In Section VII.6(b), page 85, the applicant provides the projected staffing for Mission Hospital and Mission GI South by functional area in Project Year 3, shown in the table below:

Functional Area	Type	# of FTE Positions
Administration	RN Unit Supervisor	<b>1.0</b>
Registration	NAI/ Unit Secretary	<b>4.0</b>
Pre-Procedure	RNs	<b>5.024</b>
Post-Procedure	RNs	6.0
	Scope Reprocessing Tech	<u>4.0</u>
		<b>10.0</b>
GI Endoscopy Room	RNs	6.0
	Endoscopy Technician	<u>6.0</u>
		<b>12.0</b>
<b>Total Staffing</b>		<b>32.024</b>

As shown in the table above, the applicant projects a total of 32.024 FTEs on the Mission Hospital campus and the Mission GI South campus (combined) in Project Year 3.

Exhibit 10 contains a letter from the Director (not a physician) of Endoscopy Services at Mission Hospital stating that the *“day to day operation of the proposed Mission Endoscopy South location will be my responsibility.”* The applicant does not include a letter from a physician regarding medical direction for the proposed Mission GI South location. However, the relocated GI endoscopy room will continue to remain on the Mission Hospital license as one of its total complement of GI endoscopy rooms.

However, in Exhibit 32, the applicant includes a description of three classes of sedation used in the endoscopy department. One level (Moderate Sedation) *“may be administered by an RN who has completed the sedation competency.”* The next level (Monitored Anesthesia Care) *“can only be administered by a Nurse Anesthetist under the direction of an Anesthesiologist.”* The third level (General Anesthesia) *“is only administered by a Nurse Anesthetist and Anesthesiologist. ... Patients under going general anesthesia must be recovered in the surgical PACU.”* Because there is no surgical PACU at the proposed GI endoscopy facility, the analyst assumes patients needing general anesthesia will only be served at the Mission Hospital Asheville campus location. However, because the applicant did not state otherwise, the analyst assumes the other two classes of sedation will be used at the Mission GI South location. Hospitals are required by 10A NCAC 13B .4004(b) to *“define the scope of anesthesia services that may be provided, the locations where such anesthesia services may be administered and who shall provide anesthesia services.”* However, in Section VII.2, page 93, the applicant does not propose any FTE Nurse Anesthetists (CRNA) positions. Moreover, the applicant does not adequately demonstrate that it has budgeted for any FTE CRNA positions and does not adequately

demonstrate that CRNAs will be available through any other arrangement (such as an independent contractor.) Therefore, the applicant did not adequately demonstrate the availability of sufficient manpower and management personnel to provide the proposed GI endoscopy services at Mission GI South and the application is nonconforming to this criterion.

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

C

As a provider of trauma and tertiary services, Mission Hospital already provides pathology services and other necessary ancillary and support services. Exhibit 20 contains a list of facilities in the region with which Mission Hospital has existing transfer agreements. A transfer agreement between the Mission GI South campus and Mission Hospital is not needed because the relocated GI endoscopy room on the Mission GI South campus will continue to be licensed as part of Mission Hospital. Exhibit 7 contains letters from the Vice President of Women's, Ancillary, and Support Services, the Vice President of Facilities, and the Director of Materials Management at Mission Hospital stating that the necessary ancillary and support services will be provided. Exhibit 10 contains letters from the Chief of Staff, the Chief Medical Officer and Vice President of Medical Affairs, the Vice President of Surgical Services, the Vice President of Nursing and Patient Care Services, the Vice President of Ambulatory and Ancillary Services and the Director of Endoscopy Services at Mission Hospital, expressing their support for the proposed project. Exhibit 10 also contains a letter from the CEO of Asheville Gastroenterology Associates, P.A. expressing the support of Asheville Gastroenterology for the proposed project. Consequently, the applicant adequately demonstrated that all necessary ancillary and support services will be available and that the service will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and

(b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers: (i) would be available under a contract of at least 5 years duration; (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO; (iii) would cost no more than if the services were provided by the HMO; and (iv) would be available in a manner which is administratively feasible to the HMO.

NA

- (11) Repealed effective July 1, 1987.
- (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.

NC

The applicant proposes to relocate one licensed GI endoscopy room from the main campus of Mission Hospital in Asheville to a new MOB in Fletcher. In Section XI.2, pages 100-101, the applicant states that the land is already owned by Mission Hospital but the MOB will be developed by Western North Carolina Healthcare Innovators, LLC. The applicant states that Mission Hospital will lease 3,753 square feet in the MOB for the proposed project. In Section XI.5, the applicant states the project will involve upfitting the 3,753 square feet of space, plus common space of 1,055 square feet for a total of 4,808 square feet. The common space appears to contain reception/registration and a waiting area. In Section XI.6(b), page 105, the applicant estimates construction costs of \$424.67 per square foot. In Section XI.8, pages 105-106, and Section III.4, pages 58-59, the applicant describes the methods to be used to maintain efficient energy operations.

Exhibit 29 contains a letter from a Registered Architect with a certified cost estimate for the proposed project. The architect states that the applicant's proposed endoscopy suite will represent 5.94% of the square footage of the MOB, as shown in the following table:

	<b>Endoscopy</b>	<b>Total MOB</b>	<b>% of MOB</b>
Departmental usable square footage (SF)	3,753	63,092	5.94% [5.95%]
Rentable square footage (includes access to use of 1,055 SF of common spaces)	4,808	80,829	5.94% [5.95%]

\*Source: Exhibit 29.

The architect breaks down the cost estimate as follows:

<b>Interior upfit cost</b>		<b>\$389,740</b>
Anticipated prorata share (5.94%) of site, shell & core (15,836,852 x .0594 = 940,709) [15,836,852 x .0595 =942,033]	\$940,709 [\$942,033]	
Less adjustment for Mission's 40% MOB ownership (740,709 x .6 = 564,425) [942,033 x .6 = 565,220]	-\$564,425 [-\$565,220]	
<b>Associated building cost subtotal</b>		<b>\$376,284</b> <b>[\$376,813]</b>
<b>Total anticipated cost</b>		<b>\$766,024</b> <b>[\$766,553]</b>

\*Source: Exhibit 29.

The architect's cost estimate indicates that Mission Hospital owns 40% of the entity that will own the MOB. The applicant included 40% of the cost of construction for the reviewable portion of the MOB plus 100% of the upfit costs in the construction costs. The applicant adequately demonstrates that the developer will not be incurring an obligation for a capital expenditure which is a new institutional health service (i.e., developing space for a relocated GI endoscopy room in a licensed health service facility).

However the registration and waiting room space is physically located in Henderson County, not Buncombe County. Because the applicant proposes that the relocated GI endoscopy room remain on the hospital license, all of the necessary space for the GI endoscopy services to be provided at Mission GI South must be physically located in Buncombe County. See 10A NCAC 13B .310K(f). Thus, the services cannot be provided as proposed in the spaces as shown in the design schematic in Exhibit 6. Therefore, the applicant did not adequately demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative and the application is nonconforming to this criterion.

- (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;

The following table illustrates the current payor mix for the GI endoscopy department at Mission Hospital, as reported by the applicant in Section VI.13, page 80.

<i><b>ENDOSCOPY DEPARTMENT            LAST FULL FISCAL YEAR (10/1/10 – 9/30/11)            CURRENT CASES AS PERCENT OF TOTAL CASES</b></i>	
<i>Self Pay / Indigent/ Charity</i>	<i>4.1%</i>
<i>Medicare / Medicare Managed Care</i>	<i>50.1%</i>
<i>Medicaid</i>	<i>13.6%</i>
<i>Commercial Insurance</i>	<i>1.0%</i>
<i>Managed Care</i>	<i>27.8%</i>
<i>Other (Specify)*</i>	<i>3.4%</i>
<i>TOTAL</i>	<i>100.0%</i>

*\*Other includes Workers Comp & State Employee Benefit Health Plan*

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages as of June 2010 and CY 2008-2009, respectively. The data in the table was obtained August 15, 2012. More current data, particularly with regard to the estimated uninsured percentages, was not available.

<b>County</b>	<b>Total # of Medicaid Eligibles as % of Total Population</b>	<b>Total # of Medicaid Eligibles Age 21 and older as % of Total Population</b>	<b>% Uninsured CY 2008-2009 (Estimate by Cecil G. Sheps Center)</b>
Buncombe	36%	16%	16.7%
Henderson	13%	5%	17.6%
Statewide	17%	7%	17.2%

\*Source: DMA Website: <http://www.ncdhhs.gov/dma/pub/index.htm>

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the services offered by the GI endoscopy department at Mission Hospital.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume

that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website that provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicant's current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.2, page 74, the applicant states, "*Mission provides and will continue to provide acute care inpatient and outpatient services to all persons regardless of race, sex, age, religion, creed, disability, national origin or ability to pay.*" Regarding civil rights access complaints, in Section VI.10(a), page 79, the applicant states: "*There have been no such suits filed in the past five years.*" The application is conforming to this criterion.

- (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

C

The following table illustrates the projected payor mix for Mission Hospital's GI endoscopy department during the second operating year of the proposed project, as reported by the applicant in Section VI.14, page 81.

<i>ENDOSCOPY DEPARTMENT (10/1/14 – 9/30/15)</i>	
<i>PROJECTED CASES AS PERCENT OF TOTAL CASES</i>	
<i>Self Pay / Indigent/ Charity</i>	<i>4.1%</i>
<i>Medicare / Medicare Managed Care</i>	<i>50.1%</i>
<i>Medicaid</i>	<i>13.6%</i>
<i>Commercial Insurance</i>	<i>1.0%</i>
<i>Managed Care</i>	<i>27.8%</i>

<i>Other (Specify)*</i>	3.4%
<b>TOTAL</b>	<b>100.0%</b>

*\*Other includes Workers Comp & State Employee Benefit Health Plan*

The following table illustrates the projected payor mix for Mission GI South during the second operating year of the proposed project, as reported by the applicant in Forms D and E, pages 115 and 116.

<b>MISSION GI SOUTH (10/1/14 – 9/30/15)</b>	
<b>PROJECTED CASES AS PERCENT OF TOTAL CASES</b>	
Self Pay / Indigent / Charity	5.2%
Medicare / Medicare Managed Care	44.0%
Medicaid	9.8%
Commercial Insurance	0.7%
Managed Care	35.2%
NC State, Other, Workers Comp	5.1%
<b>TOTAL</b>	<b>100.0%</b>

The projected payor mix for Mission GI South, shown above, is the same as the outpatient payor mix for FY 2011 (the last actual year). The analyst concludes that the projected payor mix for Mission GI South is based on the actual payor mix for outpatients expected to shift to the Fletcher campus.

In Section VI.6, page 77, the applicant states,

*“It is the policy of all Mission Hospital facilities to provide care to all who seek it, regardless of their ability to pay. Mission has policies and procedures in place to identify those patients who require financial assistance and to ensure that these patients receive the aid they need to access health services.”*

The applicant demonstrates that medically underserved populations will have adequate access to the proposed services and the application is conforming to this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI.9(a), page 78, the applicant states, *“GI endoscopy patients are referred to Mission’s credentialed physicians from hospitals and physician practices in the region.”* The information provided is reasonable and credible and supports a finding of conformity with this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

In Section V.1(a), the applicant describes the institutions with which Mission Hospital participates in professional training programs. Additionally, Exhibit 19 includes affiliation agreements with the Mountain Area Health Education Center Residency Programs and with Asheville-Buncombe Technical Community College's Clinical Adjunct Faculty program. The information provided is reasonable and credible and supports a finding of conformity with this criterion.

- (15) Repealed effective July 1, 1987.
  - (16) Repealed effective July 1, 1987.
  - (17) Repealed effective July 1, 1987.
  - (18) Repealed effective July 1, 1987.
- (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.

NC

See Section V.7, page 73, where the applicant is asked to discuss the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality or access. In response, the applicant discusses its perceived need for the project, but does not discuss competition particularly as it relates to promoting cost effectiveness, quality or access.

Regarding enhanced competition promoting cost effectiveness: relocating a hospital-based endoscopy room closer to other underutilized providers does not promote cost effectiveness.

Regarding enhanced competition promoting access: the applicant is proposing a project site that is actually further away from many patients in its service area.

Moreover, the relocated GI endoscopy room would remain hospital-based. Data from the 2008-2012 LRAs clearly shows patients prefer freestanding non-hospital based facilities to hospital-based facilities. This may be due in part to lower copays and deductibles at non-hospital based facilities. To the extent the cost to the patient is lower in non-hospital based facilities access by medically underserved groups would be increased. However, the applicant proposes a hospital-based facility in Fletcher.

The information provided by the applicant is not reasonable and credible and does not adequately demonstrate that the expected effects of the proposal on competition include a positive impact on cost-effectiveness and access to GI endoscopy services in Buncombe and Henderson counties.

The following conclusions are based on a review of the information in Sections II, III, IV, V, VII and the Pro Formas:

- The applicant does not adequately demonstrate the need to relocate an existing hospital-based GI endoscopy room to a MOB on the Buncombe/Henderson County line (literally) based on current and projected utilization of the existing facilities in Henderson County which have unutilized capacity;
- The proposal would result in unnecessary duplication of existing GI endoscopy services by relocating an additional GI endoscopy room to the Buncombe/Henderson County line where there is sufficient GI endoscopy capacity already;
- The applicant does not adequately demonstrate that the proposal is a cost-effective alternative to meet the need the applicant says exists for its proposal;
- The applicant does not adequately demonstrate that the proposal will have a positive impact on competition by providing patients with increased access to services because an additional GI endoscopy room is not needed in Fletcher and the room will be hospital-based, which may mean higher copays and deductibles for patients.

In summary, the application is not conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

### C

Mission Hospital is accredited by The Joint Commission. In Section II.7, page 11, the applicant states, *“The proposed project will meet all state and federal regulatory licensure requirements, including OSHA, Division of Health Services Regulation (“DHSR”) licensure, and all health facility requirements of the Buncombe County Department of Health.”* According to the records in the Acute Home Care Licensure and Certification Section of the Division of Health Service Regulation, no incidents have occurred at Mission Hospital within the 18 months immediately preceding the date of this decision for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

The applicant does not propose to establish a new licensed ambulatory surgical facility for the performance of GI endoscopy procedures or develop a new GI endoscopy room in an existing licensed health service facility (Mission Hospital would remain licensed for no more than six GI endoscopy rooms). Thus, the Criteria and Standards for Gastroenterology Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3900, are not applicable to this review.