

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: December 7, 2012

PROJECT ANALYST: Julie Halatek

ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: G-10034-12 / High Point Regional Health System / Renovate the existing 6 South Unit / Guilford 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.

C

High Point Regional Health System (HPRHS) proposes to renovate the existing 6 South Unit, changing the design from six six-room “pods” to six four-room “pods”, which will reduce the total number of acute care beds in that unit from 36 beds to 24 beds. The applicant states that 12 acute care beds will be relocated to other units in the existing facility. The applicant does not propose to develop beds or services or acquire equipment for which there is a need determination in the 2012 State Medical Facilities Plan (SMFP).

However, Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 40 of the 2012 SMFP, is applicable to the review of this proposal. Policy GEN-4 states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S.

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131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

The applicant's proposed capital expenditure is greater than \$2 million but less than \$5 million. Exhibit XVII contains a written statement describing the project's plan to assure improved energy efficiency and water conservation.

The application is consistent with Policy GEN-4 and conforming to this criterion.

- (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.

C

The applicant, HPRHS, is the owner of High Point Regional Hospital (HPRH), which is an existing acute care hospital, licensed for a total of 307 acute care beds. HPRHS proposes to renovate the 6 South Unit, changing the design from six six-room "pods" to six four-room "pods," which will reduce the total number of acute care beds in that unit from 36 to 24. The applicant states that 12 acute care beds will be relocated to other units in the existing facility. In Section II.1(a), page 10, the applicant states:

"...the current configuration of inpatient rooms on the 6 South inpatient unit includes six pods with six rooms per pod. Room size on this unit has consistently received low ratings on our patient satisfaction surveys.... Additionally, these rooms were originally constructed in 1985 at the time the main hospital building was built. The design of these rooms did not contemplate the oversized equipment common in today's

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hospitals. The proposed project allows for each pod to be renovated and reconfigured to a four-inpatient room pod. Each patient room will increase to approximately 250 square feet. This will improve and enhance patient comfort and satisfaction as well as improve the delivery of patient care to our patients.”

Population to be Served

In Section III.5(a), page 20, the applicant states:

“For acute inpatient medical and surgical services, the proposed service area is based on HPRHS’ historical service area.”

The following table illustrates historical and projected patient origin for the 6 South Unit for the first two operating years of the project, as reported by the applicant in Section III.4(b), page 20, and Section III.5(c), page 21:

HPRHS Current and Projected Patient Origin			
County	Current FY2011	Projected Year 1 FFY 2015	Projected Year 2 FFY 2016
Davidson	15.9%	15.9%	15.9%
Forsyth	2.9%	2.9%	2.9%
Guilford	64.2%	64.2%	64.2%
Randolph	14.2%	14.2%	14.2%
Other	2.8%	2.8%	2.8%
Total	100.0%	100.0%	100.0%

The applicant adequately identifies the population it proposes to serve.

Need for the Proposed Renovations

In Section III.1(a), page 15, the applicant discusses why it needs to renovate the 6 South Unit. The applicant states:

“The current configuration of this existing unit supports 36 private inpatient rooms and 36 acute care beds.... [T]he rooms on this unit were originally designed and constructed in 1985. This design did not contemplate, 27 years ago, the oversized equipment that is common in hospitals today, nor the standard practices of bedside registration and information technology considerations. The average room size of 162 square feet per room falls well under industry benchmarks. The Advisory Board Company’s Facility Planning Forum conducted extensive research to develop a clinical infrastructure matrix for over 30 specific areas within hospitals. This study indicates that square footage for medical/surgical patient rooms should be close to

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290 square feet per room. The proposed project will allow pods on the 6 South inpatient unit to be reconfigured to four-room pods and each patient room will be, on the average, 250 square feet. This allows HPRHS to continue the provision of high quality, and cost effective care while also improving the facility to be commensurate with industry standards and meeting the needs of our patients. These proposed improvements to the High Point Regional Health System have been additionally prompted by the following key factors:

- *Well documented dissatisfaction voiced by current and former 6 South patients regarding inadequate size of patient rooms and dissatisfaction with room décor.*
- *Current patient room size makes it more difficult for both clinical and non-clinical staff to deliver care to patients, given the increasing amount of stationary and portable equipment and information technology necessary to provide care.*
- *While the proposed project does result in the loss of twelve (12) inpatient rooms, High Point Regional maintains sufficient acute care capacity to accommodate all existing and future volumes. Additionally, sufficient space exists to accommodate the displaced beds. All re-deployed beds will be located in the main hospital building.”*

In Section III.1(b), pages 16-17, the applicant provides graphs which illustrate that customer satisfaction with the 6 South Unit, measured annually from 2006-2012, is largely below the 25th percentile and always below the 33rd percentile, as compared with other hospitals in the Press Ganey database. The applicant also documents patient satisfaction with room décor, which is largely below the 42nd percentile. On page 17, the applicant states:

“Room-related issues are the most frequently mentioned facility-related dissatisfiers on High Point Regional Hospital’s patient satisfaction surveys. Comments from 6 South patients represent a substantial number of these complaints; from October 2009 through August 2012, thirty-four surveyed patients have written comments regarding room size in addition to giving an overall low rating for their satisfaction with the 6 South rooms.

Patients are most often concerned that the hospital ensures sufficient space to accommodate family members who are providing the patient with the emotional support they need during their illness.”

While the applicant provides historical and projected utilization for the 6 South Unit (see Section IV) and this information was analyzed, the determination of conformity with this criterion is based, not on utilization of the beds, but on the documented need to renovate the unit to enlarge the patient rooms for better quality care and patient/family satisfaction.

In summary, the applicant adequately demonstrates the need to renovate the 6 South Unit. Therefore, the application is conforming with this criterion.

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- (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.

NA

- (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.

CA

In Section III, page 19, the applicant discusses the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo – The applicant did not choose this alternative due to the existing problems it encounters with patient dissatisfaction. Specifically, the patients have expressed significant dissatisfaction with the size and décor of the rooms. There is additional concern about the oversized medical equipment that is more common today than it was when the hospital was built 27 years ago. Maintaining the status quo was therefore discarded as a viable alternative to meet the need.
- 2) Alternative Reconfiguration of Unit – The applicant did not choose this alternative upon the advice and consultation with the architectural firm of McCulloch England. The alternative reconfiguration plan included various other configurations, including five-bed pods. However, the applicant concluded that the various other reconfigurations were not conducive to the existing infrastructure of the unit, and they did not address the overall concerns about patient dissatisfaction with space. Alternative reconfigurations of the unit were therefore discarded as viable alternatives.

The applicant decided on the proposed project as the least costly or most effective alternative. Allowing for four-bed pods worked with the existing infrastructure of the unit and allowed for optimal configuration of the inpatient pods and rooms. As proposed, the project allows for updating of and modernization of the unit, as well as addressing patient dissatisfaction, while additionally improving patient care with regard to medical equipment and operations.

Furthermore, the application is conforming to all other statutory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

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In summary, the applicant adequately demonstrates that its proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

- 1. High Point Regional Health System shall materially comply with all representations made in its certificate of need application.**
 - 2. High Point Regional Health System shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application and which would otherwise require a certificate of need.**
 - 3. Prior to issuance of the certificate of need, High Point Regional Health System shall acknowledge acceptance of and agree to comply with all conditions stated herein in writing to the Certificate of Need Section.**
- (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.

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In Section VIII, page 49, the applicant projects the total capital cost of the proposed project will be \$4,582,908, including:

- \$1,167,164 for costs of materials;
- \$1,750,746 for labor;
- \$281,459 for costs of movable equipment purchases and leases;
- \$225,121 for furniture;
- \$306,527 for architect and engineering fees;
- \$48,000 for signage;
- \$24,000 for computerized medical carts; and
- \$40,000 for the nurse call system wiring, phone wiring, and wiring for computers.

In Section VIII, page 50, the applicant states the entire capital cost will be funded with its accumulated reserves. In Exhibit VI, the applicant provides a letter from the Chief Financial Officer of HPRHS which certifies that the applicant has adequate reserves and debt capacity to fund the proposed project. She also states that the project has been presented to the Board of Trustees and has been included as a part of the budget for the 2013 fiscal year. Exhibit VII contains audited financial statements for HPRHS and affiliates. As of September 30, 2011, HPRHS had \$1,604,491 in cash and cash equivalents, \$359,918,421 in total assets and

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\$239,020,149 in net assets (total assets minus total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the proposed project.

The applicant provided the pro formas and the assumptions used to develop the pro formas in Exhibit VIII. The applicant's assumptions are reasonable, credible and supported. Therefore, the applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues. Consequently, the application is conforming with 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.

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The applicant proposes to renovate an existing unit in the hospital. The total number of acute care beds in the hospital will not change. The applicant adequately demonstrates that renovation of the unit is necessary. The applicant states the unit was originally constructed in 1985. The rooms are undersized for the equipment and computers used in 2012. Moreover, patients routinely complain about the small size of the rooms, which were not designed to accommodate family staying in the room with the patient. The applicant adequately demonstrates that the renovation project will not result in an unnecessary duplication of existing or approved health service capabilities or facilities. Therefore, the application is conforming to this criterion.

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

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The following table illustrates the current and projected staffing of the 6 South Unit during the second operating year, as reported by the applicant in Sections VII, pages 40-43.

POSITION	# OF FULL-TIME EQUIVALENT POSITIONS (FTEs)	
	CURRENT STAFF	PROJECTED STAFF YEAR 2
Registered Nurses (RNs)	36.68	31.50
Licensed Practical Nurses (LPNs)	4.14	4.14
Aides / Orderlies	18.52	15.00
Clerical	2.65	2.65
Manager	1.00	1.00
Total	62.99	54.29

As shown in the table above, the applicant projects that the number of FTE RN positions and FTE Aide / Orderly positions will decrease as a result of the decrease in number of acute care beds on the unit (from 36 to 24). In Section VII, page 28, the applicant identifies the current Chief of Staff and the Chief-of-Staff-Elect. The applicant adequately documented the availability of

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sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming 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.

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Exhibit III includes a letter from the President of HPRHS, which states:

“As an existing full-service acute care hospital, High Point Regional already has all necessary ancillary and support service infrastructure in place. This infrastructure, as well as existing ancillary and support staff, will be sufficient to support the proposed renovations...”

Exhibit IV includes copies of transfer agreements with existing health care facilities. Exhibit XV includes letters of support from members of the Medical Staff. The applicant adequately demonstrates the availability of necessary ancillary and support services and that the proposed services 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

The applicant is proposing to continue to serve the individuals in the health service area in which it currently resides. There is no evidence that the applicant will need to serve anyone outside of its existing service area. The criterion is therefore not applicable to this finding.

- (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;

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- (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

The proposed project is a renovation of a portion of an existing facility. Because there will be no change in service levels for this project, albeit temporary ones while construction is completed, the criterion is therefore not applicable to this finding.

- (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.

NA

- (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;

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In Section VI.12, page 36, the applicant provides the FFY 2011 payor mix for HPRH, which is illustrated in the following table.

Payor Category	% of Total Patients / Cases / Procedures
Commercial	2.0%
Managed Care	24.0%
Managed Care Advantage - Contract	11.0%

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Managed Care Advantage – Non-contract	1.0%
Medicaid	21.0%
Medicare	20.0%
Other Government	2.0%
Self Pay	19.0%
Workers Compensation	1.0%
Total *	101.0%

* Does not equal 100% due to rounding.

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 for Guilford County and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Guilford County	15.0%	5.9%	19.5%
Statewide	17.0%	6.7%	19.7%

* More current data, particularly with regard to the estimated uninsured percentages, was not available.

The majority of Medicaid eligibles are children under the age of 21. This age group would not typically utilize the health services proposed in this application.

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 of persons eligible to receive dental services who actually received dental services 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. Nevertheless, as shown in the table above, during FFY 2011, 21% of HPRH's patients were Medicaid recipients.

The Office of State Budget & Management (OSBM) maintains a website which 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 applicants' 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.

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The applicant demonstrates that medically underserved populations have adequate access to the services provided by the hospital as well as the existing cancer center. Therefore, 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;

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Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.11, page 36, the applicant states “*We have been informed that we have completed our obligation under Hill Burton ... in 1994. ... [W]e continue to provide charity care yearly with an average amount in excess of \$1,000,000 for each of the last three years.*” In Section VI.10, pages 35-36, the applicant states that it is not aware of any substantiated civil rights equal access complaints or violations filed against HPRH in the last 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

In Section VI.14, page 37, the applicant provides the projected payor mix for the entire hospital, as illustrated in the following table:

Entire Hospital Project Year 2 FFY 2014	
Commercial	2%
Managed Care	24%
Managed Care Advantage—Contract	11%
Managed Care Advantage—Non-contract	1%
Medicaid	21%
Medicare	20%
Other Government	2%
Self Pay	19%
Workers' Compensation	1%
Total	100%

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The applicant demonstrates that adequate access will be provided to the elderly and medically underserved groups. Therefore, 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

See Section VI.9, pages 34-39, and referenced exhibits. 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 Exhibit XI, the applicant identifies the 86 area health professional training programs that use HPRHS for clinical training. The exhibit also contains sample agreements with these programs. 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.

C

HPRHS proposes to renovate the existing 6 South Unit, changing the design from six six-room “pods” to six four-room “pods,” which will reduce the total number of acute care beds in that unit from 36 beds to 24 beds. The applicant states that 12 acute care beds will be relocated to other units in the existing facility. The inventory of acute care beds in Guilford County will not change as a result of this project.

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In Section V.7, page 29, the applicant discusses the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition in the service area include a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- ◆ The applicant adequately demonstrates the need to renovate the existing 6 South Unit and that it is a cost-effective alternative;
- ◆ The applicant has and will continue to provide quality services; and
- ◆ The applicant has and will continue to provide adequate access to medically underserved populations.

The application is 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

HPRH is accredited by the Joint Commission and certified for participation in Medicare Medicaid. According to the files in the Acute and Home Care Licensure and Certification Section, Division of Health Service Regulation, no incidents occurred within the eighteen 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 with 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.