

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: November 27, 2012

FINDINGS DATE: December 4, 2012

PROJECT ANALYST: Tanya S. Rupp

CON CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: N-8839-12 / FirstHealth of the Carolinas Inc. d/b/a FirstHealth Moore Regional Hospital / Renovate nursing units on the second and third floors of the hospital, including general medical/surgical and ICU beds / Moore 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

FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Moore Regional Hospital (FMRH) operates a 320-bed acute care hospital in Pinehurst, in Moore County. FMRH proposes to renovate the 2nd and 3rd floors of the hospital, which house inpatient services such as orthopedic services, intensive care services, and vascular services. FMRH has provided inpatient services for residents of Moore County for 50 years. The patient floors to be renovated were constructed in 1977 and 1990 and are insufficient for the effective delivery of today's healthcare needs. In addition, the facility is not compliant with all federal and state building and licensing codes; these issues will be addressed with the renovations. The applicant does not propose to 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). However, Policy GEN-4 is applicable to this project.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

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. 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.”

In Section XI.7, page 120, the applicant states:

“FirstHealth has designed the proposed project to be in compliance with all applicable federal, state, and local requirements for energy efficiency and consumption.

- *Building materials will be selected that have reduced chemical emissions, such as low-VOC paint, adhesives, finishes, and formaldehyde-free wood products.*
- *Energy-efficient lighting will be integrated with central controls.*
- *Plumbing fixtures will be low water consuming fixtures.*
- *The facility will have a centralized, automated building management system, reducing energy consumption.”*

In addition, in Exhibit 24, the applicant provides a FirstHealth Moore Regional Hospital internal document which lists and explains the measures the renovation project will take to ensure energy efficiency and code compliance. Furthermore, in Exhibit 23, the applicant provides a copy of a May 31, 2012 letter signed by Michael K. Satterfield, licensed architect, which confirms the renovation project is designed to conform to all applicable federal, state, and local regulations. The applicant demonstrates that it will ensure improved energy efficiency and water conservation as part of the proposed renovation project.

In summary, the application is consistent Policy GEN-4. Consequently, the application is 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

FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Moore Regional Hospital operates a 320-bed acute care hospital in Pinehurst, in Moore County. FMRH is the only hospital and thus the only provider of inpatient acute care services in Moore County. FMRH proposes to renovate the 2nd and 3rd floors of the hospital, which house inpatient services such as orthopedic services, intensive care services, and vascular services. The patient floors to be renovated were constructed in 1977 and 1990 and are insufficient for effective delivery of today’s healthcare needs. In addition, the facility is currently not compliant with all federal and state building and licensing codes; the proposed renovations will ensure compliance with all codes. The applicant does not propose to 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).

Population to be Served

In Section III.4, pages 46 - 48, the applicant provides the population it currently serves, and on pages 50 – 51, the applicant provides the population it proposes to serve once the 2nd and 3rd floors are renovated. The percentages in the sets of tables are the same; the applicant states the projections are based on the current and historical populations served by FMRH.

Patient Origin ICU Services (Neuro)

COUNTY	PERCENT OF POPULATION FY 2012*
Moore	47.6%
Richmond	11.4%
Robeson	8.7%
Scotland	7.9%
Montgomery	4.9%
Lee	4.7%
Hoke	4.4%
Other**	10.3%
Total	100.0%

*This application was filed in 2012; the applicant provides population information up to the date of filing.

**On page 46, the applicant provides a patient origin table with more detail regarding “other;” it includes other NC counties and other states.

Patient Origin Orthopedic Services

COUNTY	PERCENT OF POPULATION FY 2012*
Moore	43.8%
Richmond	10.3%
Robeson	8.7%
Lee	8.1%
Montgomery	5.7%
Hoke	5.3%
Scotland	3.2%
Other**	14.8%
Total	100.0%

*This application was filed in 2012; the applicant provides population information up to the date of filing.

**On page 46, the applicant provides a patient origin table with more detail regarding “other;” it includes other NC counties and other states.

Patient Origin Vascular Services

COUNTY	PERCENT OF POPULATION FY 2012*
Moore	30.5%
Richmond	16.2%
Robeson	11.7%
Scotland	10.7%
Montgomery	6.1%
Lee	6.1%
Hoke	5.1%
Other**	13.7%
Total	100.0%

*This application was filed in 2012; the applicant provides population information up to the date of filing.

**On page 46, the applicant provides a patient origin table with more detail regarding “other;” it includes other NC counties and other states.

The applicant adequately identifies the population it proposes to serve.

Demonstration of Need

In Section II.1, pages 17 – 27, and in Section III.1, pages 37 – 42, the applicant provides the assumptions and methodology in support of its stated need for the proposed renovation of the Neuro ICU, Orthopedic services, and Vascular services areas of the hospital.

On page 17, the applicant lists the general reasons the two areas of the hospital are outdated and in need of renovation:

“The 2C/3C building was constructed in 1990 and the 3A/3B building was constructed in 1977; neither of these building [sic] has had significant renovations since their construction.

...

The following identifies factors that lead to this project and the benefits that will be achieved:

- *Current room configuration is not compliant with the current NC Accessibility Code (ADA) [Americans with Disabilities Act]*
- *Patient restrooms are not appropriate for the standard of care today and do not provide adequate access and safety for bathing*
- *The renovation will allow more square footage in the room for patient family and visitors*
- *Rooms will increase in size to allow for in room rehabilitation and bed side therapy*
- *Renovation will ensure adequate electrical service to ICU rooms to support the power demand of today's equipment (ventilators, dialysis etc.)*
- *Renovation will allow all affected rooms to be fully plumbed and accommodate in-room dialysis treatments*
- *Renovation will incorporate EMR [Electronic Medical Records] through the use of in-room computing/electronic documentation stations*
- *Nurse stations will be redesigned as part of project to improve visibility into ICU rooms*
- *Rooms will be upgraded with enhanced nurse call system, patient monitoring and integrated patient bed technology to give clinical staff better awareness of patient condition*
- *Clinical storage will be increased*
- *Medications Rooms will be incorporated into the design along with automated medication dispensing systems for enhanced medication accountability and distribution*
- *Renovation includes orthopedics unit which will be outfitted with a comprehensive "Joint Class" to provide family and patient with better awareness of conditions and robust training of discharge and rehab instructions*
- *Hand washing stations will be included in the design for infection control between patient rooms"*

On pages 18, 21, and 24, the applicant indicates how each of the areas will be renovated. The applicant states on page 18:

"2nd Floor

Existing:

- *29-bed medical/surgical unit (orthopedics)*

Proposed:

- *24-bed medical/surgical unit (vascular)*

Process:

- *Patient rooms will increase in size from 225 SF to 324 SF per room*
- *Support space will increase on 2C, where possible.”*

On page 21, the applicant states:

“3rd Floor

3A

Existing:

- *32-bed medical/surgical unit (vascular)*

3B

Existing:

- *10-bed Robins Neuro ICU*
- *10-bed Waldrip Medical ICU*
- *7-bed Hiatt Catheterization Procedure Unit (currently vacant)*

Proposed:

- *44-bed medical/surgical unit (orthopedic)*

Process:

- *Patient rooms will increase in size*
- *Room sizes will become consistent*
- *Develop a comprehensive ‘Joint Class’ to provide family and patient with better awareness of conditions and robust training of discharge and rehab instructions.”*

On page 24, the applicant states:

3C

Existing:

- *Vacant 22-bed medical ICU*
-Formerly, Robins Neuro ICU and Waldrip Medical ICU, which relocated to 3A when the Reid Heart Hospital was completed.

Proposed:

- *20-bed medical/surgical ICU unit (Neuro)*
-Robins Neuro ICU and Waldrip Medical ICU will relocate back to Medical ICU.

Process:

- *Patient rooms will increase in size from 221 SF per room to 279 SF per room.*

- *Room sizes will become consistent*
- *More direct corridor from Reid Heart Center to staff elevators.*
- *Renovation will ensure adequate electrical service to ICU rooms to support the power demand of today’s equipment (ventilators, dialysis, etc.)*
- *Nurse stations will be redesigned as part of project to improve visibility into ICU rooms.”*

In addition, on page 27, the applicant states the renovation project will take place in four phases, with offering of services projected for October of 2015. The applicant states:

“The floor renovations will occur in four phases:

- *Phase 1 – Vacant 3C is renovated and ICU moves from 3B*
- *Phase 2 – 3B is renovated and orthopedic medical/surgical moves from 2C*
- *Phase 3 – 2C is renovated and vascular medical/surgical moves [to] 3A*
- *Phase 4 – 3A is renovated and orthopedic medical/surgical expands into 3A.”*

See the following table, from page 27:

LOCATION	BEFORE RENOVATION	AFTER RENOVATION
3C	Vacant	ICU
3B	ICU	Orthopedic
2C	Orthopedic	Vascular
3A	Vascular	Orthopedic

In Section III.1, page 37, the applicant describes the facility issues which led to this proposal for renovation. The applicant states the current areas are out of code compliance with regard to the ADA and with North Carolina Licensure code regulations. The applicant states that, due to the current condition of the areas, which have been in operation for between 13 and 35 years, the proposed renovations are necessary for the safe, effective and efficient delivery of health care services to FMRH’s patients.

The applicant’s methodology includes calculating inpatient days of care, Moore County population growth, and projecting future utilization of the three service areas. On page 38 the applicant identifies historical patient days of care. The applicant states:

“1. Identify historical patient days of care trends for medical/surgical beds (general and ICU).”

	2006	2007	2008	2009	2010	2011
General Days of Care	51,952	54,032	51,678	55,247	57,100	58,369
% Growth		4.00%	-4.36%	6.91%	3.35%	2.22%
Medical ICU Days of Care	6,557	6,666	5,584	6,645	6,890	7,058
% Growth		1.66%	-16.23%	19.00%	3.69%	2.44%

	AVERAGE CHANGE	50% OF AVERAGE CHANGE
General Days of Care	2.43%	1.21%
Medical ICU Days of Care	2.11%	1.06%

On pages 38 – 39, the applicant projects future days of care based on FMRH’s historical experience. On page 38 the applicant states:

“Even though FMRH experienced a significant decrease in both ICU and general acute days of care in 2008, due to a lack of neurology coverage and the recession, acute care inpatient days of care have grown at an average rate of over 4.0 percent since 2008. FMRH has decided to reasonably project general acute care inpatient days to increase at 1.21 percent per year and medical ICU days to increase at 1 .06 percent per year. This reflects 50 percent of the calculated 5-year average rate of change for general days of care and 50 percent of the calculated 5-year average rate of change for medical ICU days of care, so that FirstHealth conservatively projects future days of care.”

	2012	2013	2014	2015	2016	2017	2018
General Days of Care	59,077	59,794	60,519	61,253	61,996	62,748	63,509
Medical ICU Days of Care	7,133	7,208	7,284	7,361	7,438	7,517	7,596

The applicant’s projection of future inpatient and ICU days of care based on one-half of the historical growth rate is reasonable and supported. FRMH is the only hospital in Moore County. The applicant is proposing renovations to better accommodate the patients it serves and to bring the existing facilities to current code compliance with regard to safety and efficient delivery of patient care.

On page 39, the applicant projects days of care specific to each area proposed to be renovated:

“...Project 2C and 3A/3B general acute care and 3C ICU days of care.

Although the nursing units involved in this project include orthopedics and vascular specialties, the nursing units have never been solely dedicated to those specialties. Any medical/surgical inpatient that can be served on the nursing unit can receive care in them.”

See the following tables, from page 39:

2C	2012	2013	2014	2015	2016	2017	2018
General Med/Surg Days of Care	59,077	59,794	60,519	61,253	61,996	62,748	63,509
% of Affected Nursing Unit	13.0%	13.0%	13.0%	10.0%	10.0%	10.0%	10.0%
2C Days of Care	7,680	7,773	7,867	6,125	6,200	6,275	6,351

3A/3B	2012	2013	2014	2015	2016	2017	2018
General Med/Surg Days of Care	59,077	59,794	60,519	61,253	61,996	62,748	63,509

% of Affected Nursing Unit	16.5%	16.5%	16.5%	11.0%	22.0%	22.0%	22.0%
3A/3B Days of Care	9,748	9,866	9,986	6,738	13,639	13,805	13,972

3C	2012	2013	2014	2015	2016	2017	2018
Medical ICU Days of Care	7,133	7,208	7,284	7,361	7,438	7,517	7,596
% of Affected Nursing Unit	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%
3C Days of Care	5,207	5,262	5,317	5,373	5,430	5,487	5,545

On pages 40 - 42, the applicant examines population growth in Moore County and the service area. The applicant states:

“From 2000 to 2010, the population of Moore County grew by 18.4 percent. Based on [North Carolina Office of State Budget and Management (NCOSBM)] projections, Moore County’s population is projected to grow by an additional 9.9 percent from 2010 to 2020. In particular:

- *The 45-64 population grew by 36.1 percent from 2000 to 2010, representing 27.3 percent of Moore County’s population. NCOSBM projects that the 45-64 population will only slightly increase from 2010 to 2020.*
- *The elderly population (65+ years old) grew by 23.7 percent from 2000 to 2010, to represent 22.7 percent of Moore County’s total population. NCOSBM projects that the elderly population will be the fastest growing population, increasing by 26.6 percent from 2010 to 2020.*

...

From 2000 to 2010, the population of proposed service area, which includes Moore, Lee, Richmond, Montgomery, Hoke, Robeson, and Scotland counties, grew by 12.6 percent. Based on NCOSBM projections, the service area’s population is projected to grow by an additional 5.6 percent from 2010 to 2020. In particular:

- *The 45-64 population grew by 32.1 percent from 2000 to 2010, representing 25.9 percent of the service area’s population. NCOSBM projects that the 45-64 population will not increase from 2010 to 2020.*
- *The elderly population (65+ years old) grew by 22.0 percent from 2000 to 2010, to represent 14.4 percent of the service area’s total population. NCOSBM projects that the elderly population will be the fastest growing population, increasing by 28.3 percent from 2010 to 2020.”*

On page 42, the applicant projects inpatient utilization for FMRH. The applicant states:

“FMRH has experienced growth in utilization of virtually all outpatient and inpatient services. Total inpatient days of care have grown from 77,037 in FY2006 to 84,610 in FY2011, a 9.8 percent increase over five years.

Most outpatient services have experienced similar increases. Emergency Department services grew from over 57,700 visits in 2006 to 62,900 visits last year. Outpatient visits increased from 105,800 cases in 2006 to 117,100 visits last year. Diagnostic imaging services, which are predominantly outpatient, have experienced particularly dramatic growth.

To respond to demand for the hospital's inpatient and outpatient services, FMRH must continue to renovate and modernize its facility. In developing future projections for the proposed project, several factors indicate continued volume increases.

- *The population in Moore County and FMRH's service area is projected by the NCOSBM to increase 9.9 percent over the 10-year period from 2010 to 2020. Please refer to the patient origin table in Section 111.4(b), which indicates that approximately 88.0 percent of FMRH inpatients originate from this seven-county service area.*
- *Key age groups are projected by NCOSBM to increase over the 10-year period from 2010 to 2020.*
- *Since 2009, FRMH has experienced steady inpatient days of care growth.*

ACUTE CARE	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Days of Care	22,634	22,901	23,170	18,236	25,269	25,567	25,868
Admits	5,733	5,801	5,869	4,590	6,487	6,563	6,641

FirstHealth Moore Regional Hospital is currently licensed for 320 acute care beds, provides surgical, emergency, imaging, intensive care, and other services; and is the only hospital in Moore County. The applicant proposes to renovate two floors of the hospital, on which intensive care services, orthopedic services, and vascular services are located. The proposed renovation will allow the facility to be code-compliant and to more efficiently serve Moore County patients. The applicant is not proposing to add new services, add new construction or add square feet to the existing hospital space. Based on the historical utilization of FMRH's services, based on the projected population growth in Moore County, and based on the fact that there is only one hospital in Moore County, the applicant's proposal to renovate the 2nd and 3rd floors of the existing hospital in order to improve the delivery of health care services to its patients is reasonable. Furthermore, the applicant's projections of the number of patients to be served are based on the hospital's historical experience and population growth projections from the NC OSBM and thus are reasonable, credible and supported. The applicant demonstrates it will continue to provide adequate access to healthcare services to the same population it currently serves, which includes handicapped, elderly, and the underserved groups. See Criterion (13) for discussion regarding service to underserved populations, the analysis of which is incorporated hereby as if set forth fully herein.

In summary, the applicant adequately identifies the population it proposes to serve and adequately demonstrates the need the population has for the proposed renovation. Consequently, the application is conforming 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.

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

The applicant proposes to renovate 71,807 existing square feet on the 2nd and 3rd floors of the existing hospital. The renovation involves the inpatient intensive care unit, and those areas of the hospital in which vascular and orthopedic services are located. The applicant states in Section III.2, page 45 that it considered several alternatives before proposing this project, which include:

- maintaining the status quo,
- pursuing a joint venture with another provider, and
- developing a smaller scale expansion or renovation.

The applicant states the proposed alternative is the most cost-effective alternative to meet the need for inpatient intensive care services, vascular services, and orthopedic services in Moore County.

Furthermore, the application is conforming to all other applicable statutory review criteria and is therefore approvable. An application that cannot be approved cannot be an effective alternative.

The applicant adequately demonstrates that the proposed project is the least costly or the most effective alternative to meet the need for a replacement hospital in Moore County. Therefore, the application is conforming and is approved subject to the following conditions:

- 1. FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Moore Regional Hospital shall materially comply with all representations made in the certificate of need application.**
- 2. FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Moore Regional Hospital shall be licensed for no more than 312 acute care beds following completion of this project and Project ID #N-8497-10 [Relocate 8 acute care beds to FirstHealth Hoke Community Hospital].**

3. **FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Moore Regional Hospital 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 or that would otherwise require a certificate of need.**
 4. **FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Moore Regional Hospital shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (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.

C

In Section VIII.2, page 106, the applicant projects the total capital cost of the project will be \$18,442,966, as shown in the table below, prepared by the project analyst:

ITEM	PROPOSED CAPITAL COST
Construction	\$13,500,000
Fixed Equipment & Furniture	\$ 3,806,216
Architect & Engineering Fees	\$ 1,034,250
Consulting Fees	\$ 102,500
Total	\$18,442,966

*Source: Page 192 of the application.

In Section IX, page 111, the applicant states there will be no start-up or initial operating expenses associated with this project, since all services are currently offered at the FMRH. In Section VIII.3, page 107, the applicant states the entire capital cost will be financed with the accumulated reserves of FirstHealth of the Carolinas, the ultimate parent company of FMRH. In Exhibit 20, the applicant provides a June 12, 2012 letter signed by the Chief Financial Officer of FirstHealth of the Carolinas that states:

“FirstHealth of the Carolinas, Inc. will provide \$18.5 million through Accumulated Reserves (Assets Limited as to use: Internally Designated for Capital Projects) to fund the 2nd and 3rd floor renovation project at FirstHealth Moore Regional Hospital in Moore County.

Please accept my assurance that the anticipated \$18.5 million will be paid from these designated funds for this project.”

In Exhibit 21 the applicants provides a copy of the audited balance sheets for year ending September 30, 2011, which show that FirstHealth of the Carolinas, Inc. had total assets in the amount of \$856,450,000, including cash and cash equivalents in the amount of \$35,824,000,

and Assets Limited as to use: Internally Designated for Capital Projects in the amount of \$316,056,000. Those statements also show Carolinas HealthCare System had net assets (total assets less total liabilities) in the amount of \$511,787,000.

The applicants adequately demonstrated the availability of sufficient funds for the capital needs of the project.

In Section 13 of the application, the applicant provided pro forma financial statements for the first three years of the project for all services. The applicant projects revenues will exceed operating expenses in each of the first three operating years of the project, as illustrated in the table below.

Inpatient Services	Project Year 1	Project Year 2	Project Year 3
Projected # days of care*	25,269	25,567	25,868
Projected Average Charge (Gross Patient Revenue / Projected days of care)	\$ 3,178.55	\$ 3,263.30	\$ 3,350.40
Gross Patient Revenue	\$80,318,787	\$83,432,825	\$86,668,007
Deductions from Gross Patient Revenue	\$54,554,363	\$56,668,783	\$58,865,481
Net Patient Revenue	\$25,764,424	\$26,764,042	\$27,802,526
Total Expenses	\$19,624,895	\$20,205,437	\$20,803,413
Net Income	\$ 6,139,529	\$ 6,558,605	\$ 6,999,113

*These numbers are a sum of the 2C, 3A/3B and 3C days of care provided on the Form C worksheet in Tab 13 of the application.

The applicant also projects a positive net income for the entire facility in each of the first three operating years of the project. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Tab 13 of the application for the assumptions regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, the application is conforming 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.

C

The applicant does not propose to increase the number of licensed beds in any category, add services, or acquire equipment for which there is a need determination methodology in the 2012 SMFP. Rather, the applicant proposes to renovate existing space on the 2nd floor of FMRH, which was constructed in 1990, and on the 3rd floor, which was constructed in 1977. FMRH is the only hospital in Moore County. The applicant adequately demonstrates the

need to renovate existing space on the 2nd and 3rd floors of the hospital. Projected utilization is based on reasonable, credible, and supported assumptions. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if set forth fully herein.

The applicant adequately demonstrates that the proposal will not result in the unnecessary duplication of existing or approved health service capabilities or facilities in Moore County, and 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.

C

In Section VII.3, page 94, the applicant states there are no new positions to be added to the staff currently at the hospital. In Section VII.5, page 94, the applicant states FMRH operates 24 hours per day, 7 days per week, and the current staff complement is sufficient to continue the operation. In Section V.3, page 62, the applicant identifies the current medical director of FMRH and states that person will continue to serve as medical director following project completion. In Exhibit 11 the applicant provides a May 25, 2012 letter signed by the medical director confirming his willingness to continue in that role. In Section VII.8, page 102, the applicant identifies the current Chief Medical Officer and on page 104, the applicant provides a list of the 220 physicians who provide services at FMRH. Exhibit 25 contains physician, nursing and management letters of support for the proposed project. The applicant demonstrates the availability of adequate health manpower and management personnel for the provision of 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.

In Section II.2, page 29, the applicant lists the ancillary and support services currently provided by FMRH or by contract with FMRH. Furthermore, on page 29, the applicant states that the ancillary and support services required for the proposed renovation will continue to be available.

In Exhibit 4, the applicant provides a May 25, 2012 letter signed by the CEO of FirstHealth of the Carolinas, Inc. which lists the ancillary and support services that are and will be provided at FMRH. In Exhibit 5, the applicant provides the FMRH transfer policy. In Exhibit 10 the applicant lists the facilities with which it has established transfer agreements. In Exhibit 25 the applicant provides physician letters of support for the proposed project. The applicant adequately demonstrates that the proposed project will be coordinated with the existing health care system and that the necessary ancillary and support services will continue to be available to patients. 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.

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;

C

In Section VI.12, page 84, the applicant provides the current payor mix at FMRH based on its experience in its FY 2011 (10/01/10 – 09/30/11), as shown in the table below:

Total Hospital FY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay /Charity	12.1%
Medicare/Medicare Managed Care	63.1%
Medicaid	7.9%
Commercial Insurance	16.9%
Total	100.0%

On pages 84 - 85, the applicant provides the current payor mix at FMRH based on FY 2011 for Neuro ICU services, Orthopedic services, and Vascular services, as shown in the tables below:

Neuro ICU Services FY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/ Charity	4.6%
Medicare/Medicare Managed Care	74.1%
Medicaid	9.3%
Commercial Insurance	1.6%
Managed Care	9.5%
Other (Government)	0.9%
Total	100.0%

Orthopedic Services FY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/ Charity	1.7%
Medicare/Medicare Managed Care	72.0%
Medicaid	4.1%
Commercial Insurance	2.8%
Managed Care	16.8%
Other (Government)	2.6%
Total	100.0%

Vascular Services FY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/ Charity	1.8%
Medicare/Medicare Managed Care	82.3%
Medicaid	7.5%
Commercial Insurance	0.2%
Managed Care	7.1%
Other (Government)	1.1%
Total	100.0%

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 Calendar Year 2008 – 2009 respectively. The data in the table was obtained on March 27, 2012. More current data, particularly with regard to the estimated uninsured percentages, was not available.

COUNTY	TOTAL # MEDICAID ELIGIBLES AS % OF TOTAL POPULATION JUNE 2010	TOTAL # MEDICAID ELIGIBLES AGE 21 AND OLDER AS % OF TOTAL POPULATION JUNE 2010	% UNINSURED CY 2008 - 09 (ESTIMATE BY CECIL G. SHEPS CENTER)
Moore	14.0%	5.7%	18.5%
Statewide	17.0%	6.7%	19.7%

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 acute care, surgical, GI endoscopy, and imaging services offered by FMRH.

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.

The applicant demonstrates that it provides adequate access to medically underserved populations. 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;

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 low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and any other underserved group, have had access to all hospital services provided by FMRH. In Section VI.8, page 81, the applicant states FMRH provided \$33.0 Million, or 7.5% of net revenue, in charity care in FY 2011. In Section VI.4, page 75, the applicant states FMRH “will admit

and treat all patients without regard to race, color, religion, creed, national origin, sex, sexual preference, disability, age, or ability to pay.”

In Section VI.10, page 83, the applicant states no civil rights equal access complaints or violations were filed against FMRH 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.15, pages 87 - 88, the applicant projects the following payor mix for all services during Project Year Two:

Neuro ICU Services FY 2017

SOURCE OF PAYMENT	PERCENT
Self Pay/ Charity	4.6%
Medicare/Medicare Managed Care	74.1%
Medicaid	9.3%
Commercial Insurance	1.6%
Managed Care	9.5%
Other (Government)	0.9%
Total	100.0%

Orthopedic Services FY 2017

SOURCE OF PAYMENT	PERCENT
Self Pay/ Charity	1.7%
Medicare/Medicare Managed Care	72.0%
Medicaid	4.1%
Commercial Insurance	2.8%
Managed Care	16.8%
Other (Government)	2.6%
Total	100.0%

Vascular Services FY 2017

SOURCE OF PAYMENT	PERCENT
Self Pay/ Charity	1.8%
Medicare/Medicare Managed Care	82.3%
Medicaid	7.5%
Commercial Insurance	0.2%
Managed Care	7.1%
Other (Government)	1.1%
Total	100.0%

In Section VI.4, page 75, the applicant states “...*all persons have access to the proposed FMRH regardless of their ability to pay.*” In Exhibit 13 the applicants provides a copy of FirstHealth’s Non-Discrimination Policy, which indicates that care will be provided to all persons, including those underinsured and uninsured, as stated above. In addition, in Exhibit 8, the applicant provides a copy of FirstHealth’s Credit and Collection Policy, which provides guidelines for charity care for services at FMRH for those patients who are unable to afford health care. The applicant demonstrates it will provide adequate access to 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

In Section VI.5, page 76 of the application, the applicant states that all persons in need of services will be referred and/or transferred to the hospital. In Exhibit 10, the applicant provides a list of all the facilities with which FMRH has transfer agreements in place. In Section VI.9, on page 82, the applicant states persons will have access to services at FMRH through physician referrals and emergency admission. In Exhibit 5 the applicant provides a copy of FMRH’s policies regarding patient transfer, referral and follow-up. The application is conforming to 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(b) of the application, page 59, the applicant states it currently has training agreements in place with area health professional training programs. In Exhibit 9 the applicant provides a list of area facilities with which FMRH has training agreements, including but not limited to:

- Appalachian State University
- Anson County EMS Advanced Education Institution
- Central Carolina Community College
- Cape Fear Community College
- Fayetteville Technical Community College
- Sandhills Community College

On page 59, the applicant states those training agreements currently in place “*are perpetual, automatic annual renewal, or automatic annual renewal with letter of intent.*” The applicant adequately demonstrates that it will continue to accommodate the clinical needs of area health professional training programs. The application is conforming to 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

FMRH is the only hospital in Moore County and thus the only provider of inpatient and acute care services. It is also the only provider of emergency and surgical services. FirstHealth Moore Regional Hospital proposes to renovate the 2nd and 3rd floors of the hospital, which house inpatient services such as orthopedic services, intensive care services, and vascular services. Originally constructed in 1977 and 1990, these existing areas of the hospital are no longer efficient for patient treatment, and are not compliant with federal and state licensing and code regulations.

In Section III, page 45, the applicant discusses the impact of the proposed project in the service area, particularly as it relates to the impact on cost-effectiveness, quality and access to hospital services. On page 45, the applicant states:

“After years of facility growth and renovations to meet staff and patient expectations, patient flow and staff efficiencies can be improved.”

The applicants state that the space to be renovated was originally constructed in 1970 and in 1990, and is outdated in terms of patient care, federal and state code compliance, and the provision of quality services to the patients it serves. In Section II.1, page 17, and Section III.1, page 37, the applicant lists the reasons the existing spaces need to be renovated, stating that the 3rd floor was constructed in 1990, and the 2nd floor in 1977. Therefore, the design of the areas is outdated in terms of patient care, federal and state code compliance, and the provision of quality services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access, particularly the provision of all hospital services to the medically underserved in Moore County.

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 2nd and 3rd floors of the existing hospital and that the proposal is a cost-effective alternative;
- ◆ The applicant has provided and will continue to provide quality services; and
- ◆ The applicant has provided 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

FirstHealth Moore Regional Hospital is certified by CMS for Medicare and Medicaid participation, and licensed by the NC Department of Health and Human Services as an acute care Hospital. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, 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 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