

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: July 28, 2015

Findings Date: July 28, 2015

Project Analyst: Celia C. Inman

Assistant Chief: Martha J. Frisone

Project ID #: J-11032-15

Facility: University of North Carolina Hospitals at Chapel Hill

FID #: 923517

County: Orange

Applicant(s): University of North Carolina Hospitals at Chapel Hill

Project: Add 42 acute care beds on the Chapel Hill campus for a total of 806 acute care beds upon completion of this project and Project ID #J-011034-15 (add 4 acute care beds on the Hillsborough campus)

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.

CA

The University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) proposes to develop 42 additional acute care beds at UNC Hospitals at Chapel Hill (UNC Hospitals Chapel Hill Campus), for a total of 734 licensed acute care beds on that campus, upon project completion. The applicant states:

“Of the 42 additional acute care beds, 35 will backfill acute care beds that will be relocated to UNC Hospitals Hillsborough Campus in January 2016 pursuant to Project ID #J-8330-09. The remaining seven additional beds will expand the Neurosciences ICU program.”

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The applicant is not proposing to acquire additional major medical equipment or develop any other health services as part of this project. However, according to the applicant, several relocations of existing programs will be required to allow for the most appropriate development of the proposed 42 beds.

In Section II, beginning on page 30, the applicant discusses the components of the proposed project. Project ID #J-8330-09 approved the development of UNC Hospitals Hillsborough Campus with the relocation of 68 acute care beds (50 general acute care and 18 ICU beds) from the Chapel Hill campus to the Hillsborough campus in phases. UNC Hospitals Hillsborough Campus is projected to open in September 2015 with 33 acute care beds (25 general acute and eight ICU beds) under Phase I of the approved project. The remaining 35 previously approved beds (25 general acute and 10 ICU beds) are projected to become operational in January 2016.

Of the 33 Phase I beds that will be relocated to UNC Hospitals Hillsborough Campus in September, 2015, 15 beds will come from “6 West”, three will come from “4 Anderson South”, and 15 will be gained from the conversion of semi-private to private rooms. The applicant states that upon the relocation of the 15 beds from “6 West”, a nine month renovation will commence to convert “6 West” into a 12 room unit. The applicant submitted an exemption request (see Exhibit 2) for the renovation which was approved on April 17, 2015.

Of the 42 additional acute care beds proposed in this application, 35 will backfill acute care beds that will be relocated to UNC Hospitals Hillsborough Campus in January 2016 pursuant to Project ID #J-8330-09. The remaining seven additional beds will expand the Neurosciences ICU program. On page 32, the applicant states:

“The final result of the proposed relocations associated with the project will be a 12-bed GI surgery unit on 6 West ... , a 16-bed CTICU unit on 4 Anderson North, and an additional 8-bed Neurosciences ICU unit on 2 Anderson.”

The applicant provides a summary table on page 32 to illustrate the changes in the bed components with the proposed 42 bed addition. Along with the 35 acute care bed backfill and the seven bed Neurosciences ICU beds (42-bed addition), UNC Hospitals plans to reduce its GI Surgery unit by eight beds to a total of 12, assigning seven beds to Cardiothoracic ICU (CTICU) and one to Neurosciences ICU (NSICU) for a total of 16 CTICU beds and eight NSICU beds.

Need Determination

The 2015 State Medical Facilities Plan (SMFP) includes an Acute Care Bed Need Determination for 46 additional acute care beds in the Orange County Service Area. The 2015 SMFP states:

“Any qualified applicant may apply for a certificate of need to acquire the needed acute care beds. A person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital that will provide:

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients, and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS), as follows: ... [as listed on page 47 of the 2015 SFMP].”*

The applicant submitted two concurrent and complementary applications in response to the need identified in the 2015 SMFP for 46 additional beds in Orange County. The application under review proposes to develop 42 additional acute care beds on its main campus located at 101 Manning Drive, Chapel Hill, NC. The concurrently filed application (Project ID # J-11034-15) proposes to develop four additional acute care beds at UNC Hospitals Hillsborough Campus, which is scheduled to become operational under Phase I of Project ID #J-8330-09 in September 2015.

The applicant does not propose to develop more acute care beds than are determined to be needed in the Orange County service area. UNC Hospitals currently operates a 24-hour emergency services department. In Exhibit 9, the applicant provides the number of inpatient days of care by major diagnostic category (MDC) provided at UNC Hospitals during FY 2014. UNC Hospitals provides services in all 25 MDCs listed in the 2015 SMFP. Therefore, the applicant adequately demonstrates that it will provide medical and surgical services in at least five MDCs recognized by CMS. UNC Hospitals adequately demonstrates that it provides inpatient medical services to both surgical and non-surgical patients. Thus, UNC Hospitals is a qualified applicant and the proposal is consistent with the need determination in the 2015 SMFP for acute care beds in Orange County.

Policies

Policy GEN-3: BASIC PRINCIPLES, on page 38 of the 2105 SMFP is applicable to this review. Policy GEN-3 states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

The applicant responds to Policy GEN-3 in Section III.2, pages 92-95. On page 92, the applicant states:

“UNC Hospitals maintains that the development of additional acute care capacity in Orange County will promote cost-effectiveness, quality, and access to services in the proposed service area and will thus be in compliance with the spirit and legislative intent of the Certificate of Need Law.”

Promote Safety and Quality

In Section III, pages 92-94, the applicant discusses patient safety and quality of care, stating that UNC believes the proposed project will promote the provision of quality healthcare services to patients from all 100 North Carolina counties. The applicant further states:

“UNC Hospitals is known for providing high quality services and expects the proposed project to expand its acute care programs while bolstering its high quality reputation. The proposed project will not only add needed capacity to UNC Hospitals, but will also ensure that the needs of patients are being met in the most appropriate setting.”

Exhibits 6, 7, 8 and 26 contain UNC Health Care policies on performance improvement, utilization management, risk management and competency assessment, respectively. The applicant also discusses UNC Hospital’s quality awards and designations on page 93.

The applicant adequately demonstrates that the proposal will promote safety and quality care.

Promote Equitable Access

In Section III.2, page 94, the applicant discusses how the proposed project will promote equitable access. The applicant states:

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“As North Carolina’s only state-owned comprehensive, full service hospital-based program, UNC Hospitals has the obligation to accept any North Carolina citizen requiring medically necessary treatment. No North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status or lack of medical insurance as demonstrated in Section VI.2.”

In Section VI.2, pages 138-139, the applicant states that UNC Hospitals traditionally provides services to a wide variety of patient groups and provides the following supporting FY 2014 data.

	Low Income	Racial & Ethnic Minorities	Women	Elderly	Other Underserved
UNC Hospitals Total	16.6%	36.3%	58.5%	23.9%	11.0%
Medical/Surgical Inpatients	22.6%	39.8%	52.3%	28.0%	7.6%
CTICU Services	11.8%	37.6%	34.8%	44.8%	4.8%
NSICU Services	23.4%	43.8%	54.2%	31.7%	5.4%

Low Income = Medicaid and ½ of Medicaid Pending; Other Underserved = Self Pay and ½ of Medicaid Pending. “Low income” is based on Federal poverty guidelines as outlined in the Patient Financial Assistance Policy contained in Exhibit 12. “Elderly” is defined as patients age 65 and over.

In Section VI.8, pages 142-143, the applicant discusses charity care and bad debt, stating that UNC Hospitals will provide more than \$270,000,000 and \$287,000,000 in charity care in project years one and two, respectively; and approximately \$170,000,000 in bad debt each year. The applicant further states:

“Charity care is defined in accordance with UNC Hospitals’ Patient Financial Assistance Policy based upon the guarantor’s ability to pay. The guarantor’s ability to pay is determined after a financial statement is obtained with the required verification documentation and assigned a credit rating. Provision for bad debts represents services for which individuals have refused to make payment even though they have the financial ability to pay. These are incurred on uninsured (self pay) patients and on portions of the copayments and deductibles that are the patient’s liability under commercial indemnity insurance policies.

See Exhibit 13 for the Patient Financial Assistance Policy.”

The applicant adequately demonstrates that the proposal will promote adequate access.

Maximize Healthcare Value

In Section III.2, page 95, the applicant states that the proposed complementary applications are indicative of UNC Hospitals’ commitment to containing healthcare costs and maximizing

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healthcare benefit per dollar expended. The applicant states this proposed project will maximize healthcare value because:

- The project will provide additional capacity to meet the continued need at UNC Hospital's main campus and decompress the main campus through the development of the Hillsborough Campus;
- The project will allow UNC Hospitals to develop additional acute care beds as quickly as possible in existing space with minimal renovation, which will involve minimal costs;
- UNC Hospitals, as a member of the larger UNC Health Care System, benefits from the significant cost saving measures through the consolidation of multiple services and large economies of scale, resulting in lower costs that are passed to patients in the form of lower charges; and
- The project is responsive to a healthcare environment that emphasizes cost containment, efficient utilization of existing resources, coordination with managed care and continued healthcare system development, enabling UNC Hospitals to continue to provide its patient population with the best care possible.

The applicant adequately demonstrates that the proposal will maximize healthcare value. The applicant also adequately demonstrates how its projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2015 SMFP. Therefore the application is conforming to Policy GEN-3.

In addition, Policy GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES, on page 39 of the 2105 SMFP, is applicable to this review. 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 of 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 III.2, pages 95-97, the applicant addresses Policy GEN-4, stating:

"UNC Hospitals will develop and implement an Energy Efficiency and Sustainability Plan for the proposed project that conforms to or exceeds the energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The Plan shall not adversely affect patient or resident health, safety or infection control."

UNC Hospitals proposes to add 42 additional acute care beds to the Chapel Hill campus. The addition of the beds will require the renovation of 17,897 square feet in the existing facility. The project does not include the construction of additional building space.

The applicant states that UNC Hospitals' Energy Efficiency and Sustainability Plan for the proposed project will address the following systems and features:

1. Lighting Systems – Lighting systems will provide higher energy efficiency in accordance with energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The lighting systems shall not adversely affect patient or resident health, safety or infection control.
2. Water Systems – Water systems, hand wash facilities, and toilets will provide higher energy efficiency ...
3. Heating, Ventilation, and Air-conditioning (HVAC) Systems – HVAC systems will provide higher energy efficiency ...
4. Minor Equipment will be evaluated prior to purchase and implementation based on energy efficiency and water conservation. ...
5. Other potential energy conservation measures for the project will be researched and evaluated by the project engineer and architect as well as UNCH administration.

The applicant adequately demonstrates the proposal includes a plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4, subject to Condition 4 in Criterion (4).

Conclusion

In summary, the applicant adequately demonstrates that the proposal to add 42 acute care beds to UNC Hospitals Chapel Hill Campus is consistent with the 2015 SMFP need determination and Policies GEN-3 and GEN-4. Therefore, the application is conforming to this criterion, subject to Condition 4 in Criterion (4).

- (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

UNC Hospitals proposes to develop 42 additional acute care beds (35 general acute and 7 ICU beds) at UNC Hospitals Chapel Hill Campus.

Population to be Served

On page 48, the 2015 SMFP defines the service area for acute care services by county (or multicounty service area for counties without a hospital). UNC Hospitals is located in Orange County. Thus, the service area for this facility consists of Orange County. Facilities may also serve residents of counties not included in their service area.

In Section III.4(a), pages 98-109, the applicant identifies the facility-wide and medical/surgical inpatient population UNC Hospitals served during FY2014. As North Carolina's only state-owned, tertiary care referral center, UNC Hospitals provided care to residents residing in the 100 counties throughout North Carolina. The 2015 SMFP identifies the acute care service area of UNC Hospitals at Chapel Hill as Orange County. The table below summarizes the historical percentage of patient origin for UNC Hospitals facility-wide and for medical/surgical inpatient services, based on the applicant's information as reported on pages 98-105 of the application.

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County of Residence	Facility-wide Services	Medical/Surgical Services
Orange	23.9%	13.2%
Wake	13.9%	11.7%
Durham	10.5%	5.7%
Alamance	9.4%	7.5%
Chatham	6.8%	6.1%
Cumberland	3.7%	6.0%
Lee	3.3%	3.7%
Harnett	2.1%	3.2%
Guilford	1.9%	2.3%
Johnston	1.8%	2.2%
Robeson	1.2%	2.6%
All Other NC Counties	19.8%	32.8%
Total NC	98.3%	96.9%
Other US Total	1.7%	3.0%
Total	100.0%	100.0%

Totals may not sum due to rounding.

All Other NC Counties includes patients from the remainder of the 100 NC counties not listed above.

As illustrated in the above table, Orange, Wake, Durham, Alamance, Chatham, Cumberland, Lee, Harnett, Guilford, Johnston and Robeson counties represent approximately 78% of the acute care patient origin at UNC Hospitals, and approximately 64% of its medical/surgical services patient origin. The tables on pages 98-105 illustrate that UNC Hospitals treats patients from all over North Carolina and from outside the State. In Section III.5(a), page 109, the applicant states:

“The 2015 SMFP identifies UNC Hospitals as a part of the Orange County acute care bed service area, as used in the development of the acute care bed need determination. The remainder of UNC Hospitals’ service area includes every other county in North Carolina and a small percentage of patients from other states and countries.”

In Section III.4(a), beginning on page 105, the applicant identifies the CTICU and NSICU patient population UNC Hospitals served during FY2014. The tables below summarize the historical percentage of patient origin for UNC Hospitals’ cardiothoracic and neurosciences intensive care services, based on the applicant’s information as reported on pages 105-109 of the application. The tables show the county of residence in which 2% or more of the total patients originate.

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County of Residence	CTICU
Wake	18.1%
Alamance	7.1%
Durham	4.9%
Cumberland	4.7%
Guilford	4.6%
Orange	4.3%
Johnston	3.9%
Robeson	3.8%
Moore	3.3%
Onslow	3.3%
Mecklenburg	3.2%
Chatham	2.9%
Vance	2.7%
Lee	2.6%
Wayne	2.0%
Other NC Counties	24.3%
Other States	4.3%
Total	100.0%

County of Residence	NSICU
Cumberland	9.6%
Orange	8.5%
Alamance	8.5%
Wake	7.4%
Robeson	6.8%
Chatham	5.3%
Lee	4.5%
Harnett	3.7%
Johnston	3.1%
Sampson	3.0%
New Hanover	3.0%
Moore	2.6%
Other NC Counties	29.0%
Other States and Countries	5.0%
Total	100.0%

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In Section III.5(c), pages 110-117, the applicant provides the projected patient origin for UNC Hospitals Chapel Hill Campus’ medical/surgical inpatient, CTICU and NSICU services. The patient origin is provided as a percent of discharges, for the first two years following completion of the proposed project. The table below illustrates the 11 North Carolina counties projected to comprise at least two percent of the total patient origin, with the most patients originating from Orange County (13.2%) and Wake County (11.7%).

UNC Hospitals Chapel Hill Campus Medical/Surgical Projected Patient Origin

County of Residence	PY1 Projected # Discharges	PY1 % of Total Discharges	PY2 Projected # Discharges	PY2 % of Total Discharges
Orange	4,808	13.2%	4,844	13.2%
Wake	4,275	11.7%	4,307	11.7%
Alamance	2,715	7.5%	2,736	7.5%
Chatham	2,240	6.1%	2,257	6.1%
Cumberland	2,185	6.0%	2,201	6.0%
Durham	2,060	5.7%	2,076	5.7%
Lee	1,363	3.7%	1,374	3.7%
Harnett	1,181	3.2%	1,190	3.2%
Robeson	933	2.6%	940	2.6%
Guilford	853	2.3%	860	2.3%
Johnston	817	2.2%	823	2.2%
Other NC Counties	11,899	32.7%	11,986	32.7%
Total NC	35,329	96.9%	35,594	96.9%
Other States and Countries	1,109	3.0%	1,117	3.0%
Total	36,438	100.0%	36,711	100.0%

Totals may not sum due to rounding.

Other NC Counties includes patients from each of the NC 100 counties not listed above.

The applicant provides the projected patient origin for UNC Hospitals Chapel Hill Campus’ CTICU services on pages 113-115, as summarized below.

UNC Hospitals Chapel Hill Campus CTICU Projected Patient Origin

County of Residence	PY1 Projected # Discharges	PY1 % of Total Discharges	PY2 Projected # Discharges	PY2 % of Total Discharges
Wake	194	18.1%	199	18.1%
Alamance	77	7.1%	78	7.1%
Durham	53	4.9%	54	4.9%
Cumberland	51	4.7%	52	4.7%
Guilford	49	4.6%	50	4.6%
Orange	47	4.3%	48	4.3%
Johnston	42	3.9%	43	3.9%
Robeson	41	3.8%	42	3.8%
Onslow	36	3.3%	36	3.3%
Moore	35	3.3%	36	3.3%
Mecklenburg	35	3.2%	36	3.2%
Chatham	31	2.9%	31	2.9%
Vance	29	2.7%	30	2.7%
Lee	28	2.6%	29	2.6%
Wayne	21	2.0%	22	2.0%
Other NC Counties	258	24.3%	267	24.3%
NC Total	1,027	95.7%	1,053	95.7%
Other States	46	4.3%	47	4.3%
Total	1,073	100.0%	1,100	100.0%

Totals may not sum due to rounding.

Other NC Counties includes patients from numerous NC counties included on pages 113-115, but not listed above.

The applicant provides the projected patient origin for UNC Hospitals Chapel Hill Campus' NSICU services on pages 115-117, as summarized below.

UNC Hospitals Chapel Hill Campus NSICU Projected Patient Origin

County of Residence	PY1 Projected # Discharges	PY1 % of Total Discharges	PY2 Projected # Discharges	PY2 % of Total Discharges
Cumberland	151	9.6%	154	9.6%
Orange	134	8.5%	138	8.5%
Alamance	134	8.5%	137	8.5%
Wake	117	7.4%	120	7.4%
Robeson	107	6.8%	110	6.8%
Chatham	83	5.3%	85	5.3%
Lee	71	4.5%	73	4.5%
Harnett	59	3.7%	60	3.7%
Johnston	49	3.1%	50	3.1%
Sampson	47	3.0%	48	3.0%
New Hanover	47	3.0%	48	3.0%
Moore	41	2.6%	42	2.6%
Other NC Counties	455	29.0%	468	29.0%
NC Total	1,495	95.0%	1,533	95.0%
Other States/Countries	79	5.0%	81	5.0%
Total	1,574	100.0%	1,614	100.0%

Totals may not sum due to rounding.

Other NC Counties includes patients from numerous NC counties included on pages 115-117, but not listed above.

The applicant states that projected patient origin for the proposed project will remain consistent with FY 2014 UNC Hospitals' patient origin.

The applicant adequately identifies the population it proposes to serve.

Analysis of Need

In Section III.1, page 74, the applicant states:

“The overall need for the proposed complementary projects is based on the following factors:

- *The need for additional acute care beds in Orange County identified in the 2015 SMFP;*

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- *The continued need for additional capacity at UNC Hospitals’ main campus and the decompression of the main campus through the opening of UNC Hospitals Hillsborough Campus; and*
- *The projected population growth in Orange County.”*

The applicant discusses the above factors on pages 75-90 of the application, as summarized below.

2015 SMFP Identified Need for Additional Acute Care Beds

In Section III.1, page 75, the applicant discusses the need for additional acute care beds in the 2015 SMFP being triggered by the utilization of the total number of existing and approved acute care beds within a given service area. The applicant states that the 2013 utilization data from Truven Health Analytics is used to project the average daily census (ADC) for 2017, using the Orange County growth rate multiplier of 1.0245, based on the annual percentage of change over the last five federal fiscal years, as shown in the table below.

	2013 Acute Days of Care	Growth Rate Multiplier	2017 Projected Acute Care Days	2017 Projected ADC
UNC Hospitals	207,654	1.0245	228,764	627

The ADC is then multiplied by the appropriate target occupancy factor (1.28 for ADC >400) to determine the projected bed need. Subtracting the existing and approved beds from the projected need results in the need determination for an additional 46 beds, as shown in the table below.

	2017 Projected ADC	Occupancy Factor	Projected 2017 Bed Need	Existing and Approved Beds	Need Determination
UNC Hospitals	627	1.28	802	756	46

On page 77, the applicant states that the SMFP identified an Orange County need for 36 beds in 2010, and 27 beds in 2012. UNC Hospitals received approval to develop both the 36 bed (Project ID #J-8501-10) and the 27 bed (Project ID #J-8812-12) need determinations. The applicant states that despite these additional beds, UNC Hospitals still requires additional capacity to meet the needs of its patients as discussed below.

UNC Hospital's Continued Need for Additional Capacity

On pages 77-78, the applicant states:

“For several years, UNC Hospitals has experienced periods of extremely high utilization during which the availability of beds for new admissions has been challenged. The need for the additional 46 beds between the two UNC Hospitals campuses is primarily based on the inadequacy of the existing number of acute care beds to meet current patient demand.”

The applicant further states that because UNC Hospitals is a quaternary referral hospital, trauma center, and provider of specialty care for complex diseases for patients from all 100 North Carolina counties, the issue of capacity constraints is of great concern. The applicant also states that in spite of submitting several CON applications to address patient needs, including the development of the Hillsborough campus, UNC Hospitals continues to experience high occupancies and occasionally must refuse to accept patients or delay admittance due to lack of an appropriate bed.

On page 79, the applicant states:

“For each of the past four federal fiscal years, UNC Hospitals has operated at occupancy levels greater than the 78 percent target identified in the 2015 SMFP for facilities with an average daily census (ADC) greater than 400.”

The applicant discusses the proposed development of the UNC Hospitals Hillsborough Campus as a means to reduce crowded conditions at the main campus, and its delay in development because of an appeal. The applicant says the delay has exacerbated the need for additional services at UNC Hospitals and in Orange County as the population growth and the demand for inpatient services has outpaced the development of capacity.

Population Growth

In Section III.1, pages 82-84, the applicant provides population data for Orange County. According to data from the North Carolina Office of State Budget and Management (NC OSBM), Orange County is the fifteenth fastest growing county in North Carolina based on both numerical and percentage growth. See Exhibit 23. The NC OSBM projects Orange County's population to grow by 13.2% between 2010 and 2020, adding 17,000 people within the decade. The applicant further states on page 84, that the need for medical services in Orange County will be greater as the population continues to age, *“because, typically, older residents utilize healthcare services at a higher rate than those who are younger”*. By 2020, nearly 15 percent of the total population in Orange County will be over the age of 65 (more than 22,000 people), up from approximately 10 percent in 2010. See Exhibit 25. Further,

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between 2010 and 2020, Orange County’s population over the age of 65 is projected to grow by 72.1 percent.

Projected Utilization UNC Hospitals Chapel Hill Campus

In Section III, page 85, the applicant states that the proposed 42 additional beds at UNC Hospitals Chapel Hill Campus will become operational on July 1, 2018. As such, the project years coincide with UNC Hospitals’ fiscal years as follows:

Project Year One (PY1): FY19: July 1, 2018 to June 30, 2019

Project Year One (PY2): FY20: July 1, 2019 to June 30, 2020

Project Year One (PY3): FY21: July 1, 2020 to June 30, 2021

The following tables provide the fiscal year projections for UNC Hospitals Chapel Hill Campus general acute care (medical/surgical), cardiothoracic ICU and neurosciences ICU beds. The applicant uses the average number of operational beds in its projections and annualized FY15 based on actual year to date data.

**UNC Hospitals Chapel Hill Campus Medical/Surgical Historical and Projected Utilization
 Fiscal Year Periods July 1 through June 30**

	FY13	FY14	FY15	FY16	FY17	FY18	PY1 FY19	PY2 FY20	PY3 FY21
Bed Days	195,449	195,690	200,020	196,176	197,830	196,735	194,180	194,712	194,180
# Beds	540	545	548	536	542	539	532	532	532
Discharges	35,910	36,400	37,618	35,974	37,167	36,914	36,438	36,711	36,739
Patient Days	158,025	164,730	165,017	159,883	165,188	164,077	161,946	163,161	163,283
% Occupancy	80.9%	84.2%	82.5%	81.5%	83.5%	83.4%	83.4%	83.8%	84.1%

The applicant states that medical/surgical inpatient days increased 4.2% from FY13 to FY14 and is projected to continue to increase in FY15. The applicant further states that given its historical experience and its decline in medical/surgical beds, the above projections are reasonable.

**UNC Hospitals Chapel Hill Campus CTICU Historical and Projected Utilization
 Fiscal Year Periods July 1 through June 30**

	FY13	FY14	FY15	FY16	FY17	FY18	PY1 FY19	PY2 FY20	PY3 FY21
Bed Days*	3,285	3,285	3,285	3,294	3,285	4,979	5,840	5,856	5,840
# Beds	9	9	9	9	9	16	16	16	16
Discharges	535	586	631	632	728	909	1,073	1,100	1,117
Patient Days	2,960	2,998	2,836	2,828	2,842	3,553	4,192	4,297	4,379
% Occupancy	90.1%	91.3%	86.3%	85.9%	86.5%	71.4%	71.8%	73.4%	75.0%

*Bed days for CTICU for FY18 are calculated as follows: (9 beds x 123 days) + (16 beds x 242 days) = 4,979.

On page 87, the applicant states that as a result of the modernization and improved operational efficiencies associated with the relocation of the CTICU and the addition of seven beds, UNC Hospitals believes the projected 5.6 annual percent growth in patient days from FY14 through the third project year, a seven year period, is reasonable.

**UNC Hospitals Chapel Hill Campus NSICU Historical and Projected Utilization
 Fiscal Year Periods July 1 through June 30**

	FY13	FY14	FY15	FY16	FY17	FY18	PY1 FY19	PY2 FY20	PY3 FY21
Bed Days*	5,840	5,840	5,840	5,856	5,840	5,840	8,760	8,784	8,760
# Beds	16	16	16	16	16	16	24	24	24
Discharges	1325	1382	1467	1476	1364	1384	1,574	1,614	1,660
Patient Days	4,873	5,129	5,252	5,300	5,327	5,406	6,055	6,207	6,387
% Occupancy	83.4%	87.8%	89.9%	90.5%	91.2%	92.6%	69.1%	70.7%	72.9%

On page 88, the applicant states:

“Given the historical growth in patient days and the projected 92.6 percent occupancy rate in FY18, UNC Hospitals believes that the need for eight additional NSICU beds is justified. Further, the expected growth in patient days from FY14 to FY21 is only 2.5 percent annual growth, which is less than the 5.3 percent growth UNC Hospitals experienced from FY13 to FY14.”

The applicant provides the following table on page 89, showing the historical and projected utilization of UNC Hospitals Chapel Hill Campus total general acute care beds through the third year of the proposed project.

**UNC Hospitals Chapel Hill Campus Total General Acute Care
 Historical and Projected Utilization
 Fiscal Year Periods July 1 through June 30**

	FY13	FY14	FY15	FY16	FY17	FY18	PY1 FY19	PY2 FY20	PY3 FY21
UNC Hospitals Chapel Hill Campus Medical/Surgical									
Bed Days	195,449	195,690	200,020	196,176	197,830	196,735	194,180	194,712	194,180
# Beds	540	545	548	536	542	539	532	532	532
Patient Days	158,025	164,730	165,017	159,883	165,188	164,077	161,946	163,161	163,283
% Occupancy	80.9%	84.2%	82.5%	81.5%	83.5%	83.4%	83.4%	83.8%	84.1%
UNC Hospitals Chapel Hill Campus ICU (excluding NICU and PICU)									
Bed Days	33,945	33,945	37,514	38,430	39,794	41,479	45,260	45,384	45,260
# Beds	93	93	105	105	109	116	124	124	124
Patient Days	29,743	30,753	31,845	32,396	32,964	33,652	34,725	35,278	35,894
% Occupancy	87.6%	90.6%	84.9%	84.3%	82.8%	81.1%	76.7%	77.7%	79.3%
UNC Hospitals Chapel Hill Campus Total (Medical/Surgical, ICU, NICU and PICU)									
Bed Days	257,864	258,105	266,004	263,154	266,094	266,684	267,910	268,644	267,910
# Beds	706	716	761	719	729	733	734	734	734
Patient Days	211,410	217,194	219,404	214,741	220,712	220,349	219,340	221,186	222,030
% Occupancy	82.0%	84.1%	82.5%	81.6%	82.9%	82.6%	81.9%	82.3%	82.9%

UNC Hospitals Chapel Hill Campus ICU excludes NICU and PICU services; however, UNC Hospitals Chapel Hill Campus Total includes all ICU services. Thus medical/surgical and ICU do not sum to Total in the table above.

On page 90 of the application, the applicant states:

“... the need for the proposed project is clear. Population growth and aging trends in Orange County indicate that the demand for healthcare services overall will likely increase over the next several years. ... The shortage of beds impacts every other inpatient unit, as well as the surgical program, as cases must be delayed when an appropriate bed is not available. The addition of more general acute care beds will allow the other specialty and sub-specialty units to be used less for overflow, which will provide more access for their specific patient services.”

The applicant states that the utilization projections are based on the historical experience of UNC Hospitals, pro formas, recent financial statements, and discussions with departmental administration. The applicant further states that historical patterns are expected to remain consistent over time. Assumptions are provided in Section III.1(b), beginning on page 73 of the application.

Projected Utilization UNC Hospitals Facility (Chapel Hill Campus and Hillsborough Campus)

Exhibit 39 contains Section III.1(b) of the concurrently filed and complementary application, Project ID #J-11034-15 (add four acute care beds at UNC Hospitals Hillsborough Campus).

UNC Hospitals Hillsborough Campus is projected to begin offering inpatient services on September 1, 2015 with Phase 1 of Project ID #J-8330-09, the relocation and implementation of 25 general acute care beds and eight ICU beds. The concurrently filed application to add four acute care beds to the Hillsborough campus, Project ID #J-11034-15, is projected to begin operation January 1, 2016, along with Phase 2 of Project ID #J-8330-09, the relocation and implementation of the remaining 25 general acute care beds and 10 ICU beds. Therefore, the Hillsborough project, Project ID #J-11034-15, has project years that are based on calendar years, as follows:

Project Year One (PY1): January 1, 2016 to December 31, 2016

Project Year One (PY2): January 1, 2017 to December 31, 2017

Project Year One (PY3): January 1, 2018 to December 31, 2018

Thus Project Year One for the Hillsborough project begins in the third quarter of UNC Hospitals' FY 2016.

The applicant discusses facility-wide occupancy rates for the UNC Hospitals in Exhibit 39, beginning on page 670, stating that UNC Hospitals Facility must meet the target occupancy of 75.2%, as required in Section .3800 Criteria and Standards for Acute Care Beds – 10A NCAC 14C .3803(a). This rule states:

“An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.”

Page 678 of Exhibit 39 provides the projected utilization for Project ID #J-11032-15 in UNC Hospitals' fiscal year projections through the third operating year of the Chapel Hill addition of beds, which is the project under review. Therefore, the Project Analyst is able to determine the projected utilization for UNC Hospitals facility-wide total acute care bed utilization and occupancy rates.

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UNC Hospitals System Acute Care Bed Utilization

	FY13	FY14	FY15	FY16	FY17	FY18	PY1 FY19	PY2 FY20	PY3 FY21
UNC Hospitals Chapel Hill Campus Total (Medical/Surgical, ICU, NICU and PICU)									
Bed Days	257,864	258,105	266,004	263,154	266,094	266,684	267,910	268,644	267,910
# Beds	706	716	761	719	729	733	734	734	734
Patient Days	211,410	217,194	219,404	214,741	220,712	220,349	219,340	221,186	222,030
% Occupancy	82.00%	84.10%	82.50%	81.60%	82.90%	82.60%	81.90%	82.30%	82.90%
UNC Hospitals Hillsborough Campus Total (Medical/Surgical and ICU)									
Bed Days				17,130	26,280	26,280	26,280	26,280	26,280
# Beds				53	72	72	72	72	72
Patient Days				12,803	18,661	19,038	20,121	20,756	21,449
% Occupancy				74.70%	71.00%	72.40%	76.60%	78.80%	81.60%
UNC Hospitals System Total (Medical/Surgical, ICU, NICU, and PICU)									
Bed Days	257,864	258,105	266,004	280,284	292,374	292,964	294,190	294,924	294,190
# Beds	706	716	761	772	801	805	806	806	806
Patient Days	211,410	217,194	219,404	227,544	239,373	239,387	239,461	241,942	243,479
% Occupancy	82.00%	84.10%	82.50%	81.18%	81.87%	81.71%	81.40%	82.04%	82.76%

Totals may not sum due to rounding.

As the table above shows, the UNC Hospitals total utilization at the end of the proposed project's third operating year is above the 75.2% occupancy rate required by *10A NCAC 14C .3803(a)*.

As shown in the table above, during FY14, a total of 217,194 days of care were provided in 761 beds, which is an average daily census (ADC) of 595 patients. An ADC of 606 patients is necessary to reach a 75.2% occupancy rate for 806 beds. The 2015 SMFP projects an ADC of 627 patients in 2017. Five years later, in 2021, the third year following project completion, the applicant projects an ADC of 667 patients.

Projected utilization is based on reasonable and adequately supported assumptions which are provided in Section III, pages 56-65.

The applicant adequately demonstrates the need to add 42 additional acute care beds on the Chapel Hill campus. The addition of beds at the Chapel Hill campus will maximize efficiency for patients at both UNC Hospitals campuses.

Access

In Section III.2, page 94, the applicant discusses how the proposed project will promote equitable access. The applicant states:

“As North Carolina’s only state-owned comprehensive, full service hospital-based program, UNC Hospitals has the obligation to accept any North Carolina citizen requiring medically necessary treatment. No North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status or lack of medical insurance as demonstrated in Section VI.2”

In Section VI.2, pages 138-139, the applicant states that UNC Hospitals has traditionally provided services to a wide variety of patient groups and provides the following table, based on FY 2014 data.

	Low Income	Racial & Ethnic Minorities	Women	Elderly	Other Underserved
UNC Hospitals Total	16.6%	36.3%	58.5%	23.9%	11.0%
Med/Surg Inpatients	22.6%	39.8%	52.3%	28.0%	7.6%
CTICU	11.8%	37.6%	34.8%	44.8%	4.8%
NSICU	23.4%	43.8%	54.2%	31.7%	5.4%

Low Income = Medicaid and ½ of Medicaid Pending; Other Underserved = Self Pay and ½ of Medicaid Pending. “Low income” is based on Federal poverty guidelines as outlined in the Patient Financial Assistance Policy contained in Exhibit 12. “Elderly” is defined as patients age 65 and over.

In Section VI.8, page 143, the applicant discusses charity care and bad debt, stating that UNC Hospitals will provide more than \$270,000,000 and \$280,000,000 in charity care in project years one and two, respectively; and approximately \$170,000,000 in bad debt each year.

The applicant adequately demonstrates the extent to which residents of the area, including underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need the population to be served has for the proposed project and demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services. Therefore, 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

In Section III.3, pages 97-98, the applicant describes several alternatives considered which include the following:

- 1) Maintain Status Quo – UNC Hospitals considered maintaining the status quo; however, the applicant concluded this option would force UNC Hospitals to continue to operate with inefficiencies and the inability to place patients in the most appropriate beds. The applicant also says that patients would continue to endure long wait times in the emergency room while waiting for a bed, in addition to surgical case delays and delays in the delivery of critical treatments due to lack of appropriate bed availability. Furthermore, the applicant states this option would result in very limited options to accommodate future population growth.
- 2) Build a New Bed Tower on the Main Campus – the applicant evaluated this alternative and future master facility plans do include a new bed tower on the main campus; however, the applicant states this option is not practically or financially feasible in the near term and is therefore not the most effective alternative to meet the identified need at this time.
- 2) Develop the Concurrently Filed Projects as Proposed – The applicant states on page 98 that its concurrently filed applications for four additional beds at UNC Hospitals Hillsborough Campus and 42 beds at UNC Hospitals Chapel Hill Campus are the most effective alternatives to meet the identified need for 46 additional acute care beds in Orange County. The applicant states the proposals are cost effective because the additional beds can be developed in existing, previously approved bed units at each facility; thereby requiring minimal construction/renovation as compared to new construction to house the proposed beds. The applicant further states that the proposals represent timely options.

Therefore, the applicant chose *“the option of developing 42 additional acute care beds on its main campus to backfill 35 licenses that are being relocated to UNC Hospitals Hillsborough Campus and to expand its Neurosciences ICU program.”*

The applicant adequately demonstrates that developing 42 additional acute care beds on its UNC Hospitals Chapel Hill Campus is its most effective alternative to meet the need for additional acute care services in Orange County.

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

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

- 1. University of North Carolina Hospitals at Chapel Hill shall materially comply with all representations made in its certificate of need application.**
- 2. University of North Carolina Hospitals at Chapel Hill 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. University of North Carolina Hospitals at Chapel Hill shall develop no more than 42 additional acute care beds at UNC Hospitals Chapel Hill Campus for a total of no more than 734 acute care beds, on that campus. This project and Project ID #J-11034-15 (add four acute care beds at UNC Hospitals Hillsborough Campus for a total of no more than 72) would bring the total number of acute care beds for UNC Hospitals to 806 beds, upon development of both projects.**
- 4. University of North Carolina Hospitals at Chapel Hill shall 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.**
- 5. Prior to issuance of the certificate of need, University of North Carolina Hospitals at Chapel Hill shall provide the Agency with documentation that the nursing care shall be supervised by a qualified registered nurse *"with specialized training in the care of critically ill patients, cardiovascular monitoring, and life support"*, as required in 10A NCAC 14C .1205(1).**
- 6. Prior to issuance of the certificate of need, University of North Carolina Hospitals at Chapel Hill shall acknowledge acceptance of and agree to comply with all conditions stated herein in writing to the Certificate of Need Section.**

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- (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.1, pages 163-164, the applicant states that the total capital cost of the project will be \$17,049,067, as shown in the table below.

Project Capital Cost

Construction / Labor Costs	\$10,539,000
Equipment/Furniture	\$3,570,067
Architect & Engineering Fees	\$1,736,000
Contingency	\$1,204,000
Total Capital Cost	\$ 17,049,067

In Section IX, page 169, the applicant states there will be no start-up or initial operating expenses associated with the proposed project. In Section VIII.3, page 164, the applicant states that the project will be funded through UNC Hospitals' accumulated reserves. Exhibit 31 contains an April 8, 2015 letter signed by the President for UNC Hospitals, which states:

“UNC Hospitals will fund the capital cost from existing accumulated cash reserves. This expenditure will not impact any other capital projects currently underway or planned for at this time. For verification of the availability of these funds and our ability to finance these projects internally, please refer to the “Cash and Cash Equivalents” line item in the audited financial statements included with this Certificate of Need application.”

Exhibit 32 of the application contains the audited financial statements for UNC Hospitals for the year ending June 30, 2014. As of June 30, 2014, UNC had \$43,554,656 in cash and cash equivalents and \$1,279,661,957 in net assets (total assets less total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

In the pro forma financial statement for the service components (Form C), the applicant projects that revenues will exceed operating expenses in each of the first three years of the project for medical/surgical and CTICU services. The applicant expects the NSICU service to have a net operating loss, as illustrated in the table below.

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	PY 1/FY19 7/1/18-6/30/19	PY 2/FY20 7/1/19-6/30/20	PY 3/FY21 7/1/20-6/30/21
Medical/Surgical Services			
Gross Patient Revenue	\$597,209,879	\$633,042,472	\$671,025,021
Deductions from Gross Patient Revenue	\$321,657,241	\$340,956,676	\$361,414,076
Net Patient Revenue	\$275,552,638	\$292,085,796	\$309,610,945
Total Expenses	\$244,273,913	\$250,286,165	\$256,448,632
Net Income	\$31,278,725	\$41,799,632	\$53,162,312
CTICU Services			
Gross Patient Revenue	\$22,496,201	\$24,212,663	\$25,908,451
Deductions from Gross Patient Revenue	\$11,081,709	\$11,927,244	\$12,523,606
Net Patient Revenue	\$11,414,492	\$12,285,419	\$13,384,844
Other Operating Revenue	\$14,459	\$14,459	\$14,459
Total Revenue	\$11,428,951	\$12,299,878	\$13,399,304
Total Expenses	\$8,966,062	\$9,186,042	\$9,412,088
Net Income	\$2,462,889	\$3,113,836	\$3,987,216
NSICU Services			
Gross Patient Revenue	\$32,493,916	\$34,975,099	\$37,788,828
Deductions from Gross Patient Revenue	\$18,551,962	\$19,968,560	\$21,575,021
Net Patient Revenue	\$13,941,954	\$15,006,539	\$16,213,807
Other Operating Revenue	\$16,753	\$16,753	\$16,753
Total Revenue	\$13,958,707	\$15,023,292	\$16,230,560
Total Expenses	\$15,107,165	\$16,186,195	\$17,511,385
Net Income	(\$1,148,458)	(\$1,162,903)	(\$1,280,825)

Additionally, in Form B, the applicant projects that UNC Hospitals Chapel Hill Campus revenues will exceed operating expenses in each of the first three years for the entire UNC Hospitals facility.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. 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

On page 48, the 2015 SMFP defines the service area for acute care services by county (or multicounty service area for counties without a hospital). UNC Hospitals is located in Orange County. Thus, the service area for this facility consists of Orange County. Facilities may also serve residents of counties not included in their service area.

The 2015 SMFP identifies a need determination for 46 additional acute care inpatient beds in the Orange County service area. UNC Hospitals is the only provider of acute care hospital services located in Orange County. UNC Hospitals proposes to add 46 acute care beds for a total of 806 acute care beds upon completion of this project (add 42 beds on the UNC Hospitals Chapel Hill Campus) and the concurrently filed application, Project ID #J-11034-15 (add four beds on the UNC Hospitals Hillsborough Campus). The applicant does not propose to develop more acute care beds than are determined to be needed in the service area. The applicant adequately demonstrates the need the population proposed to be served has for the 42 additional acute care beds at UNC Hospitals Chapel Hill Campus. The discussion regarding analysis of need found in Criterion (3) is incorporated herein by reference.

Therefore, the applicant adequately demonstrates the project will not result in unnecessary duplication of existing or approved acute care services in the Orange County service area. Consequently, 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.1(b), pages 152-153, the applicant provides the projected staffing for UNC Hospitals Chapel Hill Campus CTICU and NSICU beds during the second full fiscal year following the completion of the project, as illustrated in the table below. The applicant states:

“As noted in Section II, 35 proposed beds will backfill existing medical/surgical units at UNC Hospitals’ main campus. This will have no impact on medical/surgical bed staffing. As a result, the following table only shows proposed staffing for the proposed CTICU and NSICU beds on the Manning Drive campus.”

**Proposed Staffing
Projected FTEs
July 1, 2019 – June 30, 2020**

Designation	CTICU FTEs	NSICU FTEs
Clinical Nurse I	1.8	1.9
Clinical Nurse II	22.7	44.0
Clinical Nurse III	3.8	7.4
Clinical Nurse IV	3.0	3.3
Nursing Assistant	4.2	2.0
Clinical Support Tech	0.5	5.3
Clinical Support Tech II	0.8	2.0
Health Unit Coordinator	3.8	2.1
Nursing Assistant per Diem	0.7	0.7
Clinical Nurse Per Diem	1.3	4.2
Health Unit Coordinator Per Diem	0.2	0.2
Clinical Support Tech Per Diem	0.1	1.0
Nursing Assistant II Per Diem	0.3	0.3
Clinical Support Tech II Per Diem	0.0	0.5
Patient Services Manager	1.0	1.0
Total Projected FTEs	44.2	75.9

As illustrated in the above table, the applicant projects 44.2 full-time equivalent (FTE) positions for CTICU services and 75.9 FTEs for NSICU services in the second full fiscal year following completion of the proposed project. Furthermore, in Section VII.3 (a), page 154, the applicant states:

“Because UNC Hospitals currently provides each of the services in the proposed project, the positions that result from this project will not be new. [emphasis in original] That is, UNC Hospitals currently employs staff in each of these positions. No new positions (i.e. types of FTEs) will result from the proposed project; however, UNC Hospitals does intend to hire incremental staff to support the additional acute care capacity.”

In Section VII.6 (a) and (b), pages 155-156, the applicant provides UNC’s recruitment and staff retention plans. In Section VII.8 (a), page 157, the applicant states Dr. B. Anthony Lindsey is the Chief Medical Officer for UNC Hospitals. See Exhibit 21 for a copy of Dr. Lindsey’s letter of support. On pages 158-159, the applicant provides the number of UNC Hospitals’ active medical staff by specialty.

The applicant demonstrates the availability of adequate 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.

C

The applicant currently provides acute care inpatient services and the necessary ancillary and support services are currently available. In Section II.2, page 36, the applicant states:

“UNC Hospitals currently has all ancillary and support services in place necessary to support hospital operations. These existing ancillary and support services will also support the 42 additional beds to be developed as proposed in this application.”

See Exhibit 3 of the application for a copy of a letter from Dr. Brian P. Goldstein, Executive Vice President and Chief Operating Officer of UNC Hospitals, attesting to the availability of ancillary and support services. Exhibit 36 contains letters of support from physicians for the proposed project. The applicant adequately demonstrates the availability of the 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

- (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;

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- (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 and VI.13, pages 146-147, the applicant provides the payor mix during FY 2014 for the UNC Hospitals facility, UNC Hospitals medical/surgical services, CTICU services and NSICU services, as illustrated in the table below:

**UNC Hospitals
 FY 2014 (7/1/13-6/30/14)
 Inpatient Days as a Percent of Total Utilization**

	Entire Facility	Medical/Surgical	CTICU	NSICU
Self-Pay / Indigent / Charity	6.7%	7.9%	6.1%	4.6%
Medicare/Medicare Managed Care	32.9%	40.1%	52.0%	46.1%
Medicaid	29.6%	22.8%	13.4%	27.8%
Commercial Insurance	0.8%	0.9%	0.1%	0.6%
Managed Care	24.4%	23.4%	23.5%	17.0%
Other	5.7%	4.9%	4.9%	3.9%
Total	100.0%	100.0%	100.0%	100.0%

Totals may not sum due to rounding.

Other represents Other Government payors for the entire facility and medical surgical services and Integrated Payment & Reimbursement System (IPRS) for CTICU and NSICU.

In Section VI.2, page 138, the applicant states:

“As North Carolina’s only state-owned comprehensive, full service hospital-based program, UNC Hospitals has the obligation to accept any North Carolina citizen requiring medically necessary treatment. No North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status or lack of medical insurance.

The proposed project will be designed in accordance with the latest State of North Carolina and Federal guidelines for handicapped accessibility. The project incorporates all applicable provisions of the Americans with Disabilities Act.”

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

	2010 Total # of Medicaid Eligibles as % of Total Population	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population	2009 % Uninsured CY 2009 (Estimate by Cecil G. Sheps Center)
Orange County	8.6%	3.5%	18.9%
Statewide	16.5%	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 does not utilize the same health services at the same rate as older segments of the population.

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.

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 payer mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities, handicapped persons or women utilizing health services.

The applicant demonstrates that medically underserved populations currently have adequate access to the services offered at UNC Hospitals at Chapel Hill. 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.11, page 145, the applicant states:

“UNC Hospitals has long since satisfied its “free care” obligation under the Hill-Burton Act. Charity care provided by UNC Hospitals for Fiscal Year 2014 is estimated to be \$191 million (15.64 percent of Net Revenue). UNC Hospitals provides care to all persons based only on their need for care and without regard to minority status or handicap/disability.”

See Exhibit 14 for a copy of the applicant’s policies and procedures regarding admissions and discharges.

In Section VI.10 (a), page 145, the applicant states that it has not been notified of any civil rights equal access complaints being filed against the hospital and/or any facilities or services owned by the hospital within the past five years. Therefore, 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 (a) and (b) and VI.15 (a) and (b), pages 147-149, the applicant provides the projected payor mix for the entire facility, UNC Hospitals medical/surgical, CTICU and NSICU services, as illustrated in the table below:

**UNC Hospitals Projected FY 2020 Payor Mix
 Inpatient Days as a Percent of Total Utilization**

	Entire Facility	Medical/Surgical	CTICU	NSICU
Self-Pay / Indigent / Charity	6.7%	7.9%	6.1%	4.6%
Medicare/Medicare Managed Care	32.9%	40.1%	52.0%	46.1%
Medicaid	29.6%	22.8%	13.4%	27.8%
Commercial Insurance	0.8%	0.9%	0.1%	0.6%
Managed Care	24.4%	23.4%	23.5%	17.0%
Other	5.7%	4.9%	4.9%	3.9%
Total	100.0%	100.0%	100.0%	100.0%

Totals may not sum due to rounding.

Other represents Other Government payors for the entire facility and medical surgical services and IPRS for CTICU and NSICU.

The applicant states that its facility-wide payor mix and its payor mix for medical/surgical, CTICU and NSICU services are not projected to change from its historical mix.

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

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- (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, page 144, the applicant describes the range of means by which a person will have access to its services. The information provided is reasonable and credible and supports a finding of conformity 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), page 126, the applicant states that UNC Hospitals is associated with several health professional training programs. The applicant also states that the proposed project will be available as a clinical site for training programs and UNC Hospitals' medical and surgical programs will continue to serve as a training site with the addition of the proposed acute care beds. The information provided in Section V.1 is reasonable and credible and supports a finding of conformity 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

On page 48, the 2015 SMFP defines the service area for acute care services by county (or multicounty service area for counties without a hospital). UNC Hospitals is located in Orange County. Thus, the service area for this facility consists of Orange County. Facilities may also serve residents of counties not included in their service area.

The applicant operates the only state-owned academic medical center in North Carolina and is the only acute care hospital located in the Orange County service area. UNC Hospitals serves patients originating from all 100 counties in North Carolina. The applicant proposes to add 42 additional acute care beds at UNC Hospitals Chapel Hill Campus and four at UNC Hospitals Hillsborough Campus (Project ID #J-11034-15) for a total of 806 facility-wide acute care beds, upon the development of both projects.

In Section V.7, pages 134-137, the applicant discusses how any enhanced competition in the service area will promote cost-effectiveness, quality and access to the proposed services. The applicant states:

“UNC Hospitals believes that the proposed project may foster some competition in the proposed service area, particularly as the only provider of acute care services in the service area. However, the proposed project is not specifically being developed to foster competition per se, but rather to enhance the provision of timely, quality patient care and to assist UNC Hospitals in meeting its four-fold mission of patient care, teaching, research, and community service.”

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 in the application is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes 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 add 42 acute care beds and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that UNC Hospitals has and will continue to provide quality services. The discussions regarding quality found in Criteria (1) and (20) are incorporated herein by reference.
- The applicant adequately demonstrates UNC Hospitals will continue to provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (1) and (13) are incorporated herein by reference.

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

In Section I.12, page 16, the applicant states that in addition to the UNC Hospitals, it currently owns, leases, or manages seven other hospitals in North Carolina. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding submission of the application through the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on any facility owned and operated by UNC Hospitals in North Carolina. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all eight facilities, the applicant provided sufficient evidence that quality care has been provided in the past and adequately demonstrated that there is no pattern of substandard quality of care. 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.

C

The application submitted by University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) is conforming or conditionally conforming with all applicable Criteria and Standards for Acute Care Beds and Intensive Care Services, as promulgated in 10A NCAC 14C .3800 and 10A NCAC 14C .1200, respectively. The specific criteria are discussed below.

SECTION .3800 - CRITERIA AND STANDARDS FOR ACUTE CARE BEDS

10A NCAC 14C .3802 INFORMATION REQUIRED OF APPLICANT

(a) An applicant that proposes to develop new acute care beds shall complete the Acute Care Facility/Medical Equipment application form.

-C- The applicant completed the Acute Care Facility/Medical Equipment application form.

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(b) *An applicant proposing to develop new acute care beds shall submit the following information:*

(1) *the number of acute care beds proposed to be licensed and operated following completion of the proposed project;*

-C- In Section I, pages 7-8, the applicant states that it is submitting two concurrent and complementary applications in response to the need identified in the 2015 SMFP for 46 additional acute care beds in Orange County. This application proposes to develop 42 additional acute care beds at UNC Hospitals Chapel Hill Campus. The complementary application (Project ID #J-11034-15) proposes to develop four additional acute care beds on its approved, but not yet developed campus, UNC Hospitals Hillsborough Campus. On page 41, the applicant provides the projected number of acute care beds following completion of the development of the two concurrent and complementary projects submitted for review April 15, 2015.

	Acute Care Beds	Inpatient Psych Beds	Inpatient Rehab Beds	UNC Hospitals Bed Total
Currently Licensed	731	76	30	837
Previously Approved Project ID #J-8812-12*	+25			+25
Previously Approved Project ID #J-8836-12	+4			+4
Proposed Complementary Applications	+46			+46
Total	806	76	30	912

*Two of the 27 approved beds in Project ID #J-8812-12 are included in the currently licensed 731 beds.

As the table above shows, UNC Hospitals was previously approved for Project ID #J-8812-12 (add 27 acute care beds for a total of 756 acute care beds) and Project ID #J-8836-12 (add four burn intensive care beds for a total of 760 acute care beds). The 46 additional beds would bring UNC Hospitals total acute care bed count to 806, assuming the completion of this project (add 42 acute care beds) and Project I.D. # J-11034-15 (add four acute care beds).

(2) *documentation that the proposed services shall be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and JCAHO accreditation standards;*

-C- In Section II.8, page 42 and Exhibit 3, the applicant provides documentation that UNC Hospitals' services are and will continue to be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and Joint Commission accreditation standards.

- (3) *documentation that the proposed services shall be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies;*
- C- In Section II.8, pages 42-43 and Exhibit 3, the applicant provides documentation that the services will be provided in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies.
- (4) *if adding new acute care beds to an existing facility, documentation of the number of inpatient days of care provided in the last operating year in the existing licensed acute care beds by medical diagnostic category, as classified by the Centers for Medicare and Medicaid Services according to the list set forth in the applicable State Medical Facilities Plan;*
- C- In Section II.8, page 43, the applicant refers to Exhibit 9 for UNC Hospitals' FY2014 acute inpatient days of care. Exhibit 9 provides the number of patient days of care provided in the existing licensed acute care beds at UNC Hospitals during FY 2014 by medical diagnostic category (MDC) as classified by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the 2015 SMFP.
- (5) *the projected number of inpatient days of care to be provided in the total number of licensed acute care beds in the facility, by county of residence, for each of the first three years following completion of the proposed project, including all assumptions, data and methodologies;*
- C- In Section II.8, page 43, the applicant refers to Exhibit 10, which provides projected inpatient days of care, by county of residence, for each of the first three years following completion of the proposed project, as summarized below.

**UNC Hospitals Chapel Hill Campus
 Projected Inpatient Days of Care by County of Origin**

County	PY1 7/1/18-6/30/19	PY2 7/1/19-6/30/20	PY3 7/1/20-6/30/21
Wake	32,866	33,143	33,269
Orange	27,758	27,992	28,099
Alamance	14,922	15,047	15,105
Cumberland	13,393	13,505	13,557
Chatham	12,593	12,699	12,747
Durham	12,181	12,283	12,330
Lee	7,453	7,516	7,545
Harnett	6,764	6,821	6,847
Robeson	5,593	5,640	5,661
Johnston	4,929	4,970	4,989
Guilford	4,778	4,818	1,836
Other NC Counties	69,561	70,149	73,417
Other States	6504	6558	6583
Other Countries	45	45	45
Total	219,340	221,186	222,030

The table above shows the inpatient days of care by county for the North Carolina counties that comprise at least 2% of the total inpatient days of care. See Exhibit 10 and Sections III and IV for the applicant’s assumptions, data and methodologies used to project inpatient days of care. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

- (6) *documentation that the applicant shall be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week;*
- C- In Section II.8, pages 43-44, and Exhibit 3, the applicant provides documentation that UNC Hospitals will continue to be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week.
- (7) *documentation that services in the emergency care department shall be provided 24 hours per day, 7 days per week, including a description of the scope of services to be provided during each shift and the physician and professional staffing that will be responsible for provision of those services;*
- C- In Section II.8, pages 44-45 and Exhibit 3, the applicant provides documentation that UNC Hospitals emergency department services are available 24 hours per day, 7 days

per week. The applicant states that the Department of Emergency Medicine provides full-time services in the ER with additional clinical services provided as required for a Level I Trauma Center. See Exhibit 12.

- (8) *copy of written administrative policies that prohibit the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay;*
- C- See Exhibit 13 (Financial Assistance Policies) and Exhibit 14 (Admission Policies). Also see Section VI.2, and Section VI.4 (b) for discussion documenting that the hospital prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay.
- (9) *a written commitment to participate in and comply with conditions of participation in the Medicare and Medicaid programs;*
- C- In Exhibit 3, the applicant provides a written commitment from the Executive Vice President and COO of UNC Hospitals to continue to participate in and comply with conditions of participation in the Medicare and Medicaid programs.
- (10) *documentation of the health care services provided by the applicant, and any facility in North Carolina owned or operated by the applicant's parent organization, in each of the last two operating years to Medicare patients, Medicaid patients, and patients who are not able to pay for their care;*
- C- In Section II.8, pages 46-47, the applicant provides the payor mix for UNC Health Care's facilities for the most recent two federal fiscal years (FFY14 and FFY13), which shows that UNC provides services to the groups identified in this Rule.
- (11) *documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay; and*
- C- In Section II.8, page 48, Section VII.8(b), pages 158-159, Section VI.2 and VI.3, pages 138-139, and Exhibit 3, the applicant provides documentation of strategies used and activities undertaken by UNC Hospitals to attract physicians and medical staff who currently provide and will continue to provide care to patients without regard to their ability to pay.
- (12) *documentation that the proposed new acute care beds shall be operated in a hospital that provides inpatient medical services to both surgical and non-surgical patients.*

-C- In Section II.8, pages 48-49 and Exhibit 3, the applicant documents that UNC Hospitals provides inpatient medical services to both surgical and non-surgical patients.

(c) An applicant proposing to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital shall also submit the following information:

- (1) the projected number of inpatient days of care to be provided in the licensed acute care beds in the new hospital or on the new campus, by major diagnostic category as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;*
- (2) documentation that medical and surgical services shall be provided in the proposed acute care beds on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;*
- (3) copies of written policies and procedures for the provision of care within the new acute care hospital or on the new campus, including but not limited to the following:*
 - (A) the admission and discharge of patients, including discharge planning,*
 - (B) transfer of patients to another hospital,*
 - (C) infection control, and*
 - (D) safety procedures;*
- (4) documentation that the applicant owns or otherwise has control of the site on which the proposed acute care beds will be located; and*
- (5) documentation that the proposed site is suitable for development of the facility with regard to water, sewage disposal, site development and zoning requirements; and provide the required procedures for obtaining zoning changes and a special use permit if site is currently not properly zoned; and*
- (6) correspondence from physicians and other referral sources that documents their willingness to refer or admit patients to the proposed new hospital or new campus.*

-NA- The applicant proposes to add 42 additional acute care beds to the existing UNC Hospitals Chapel Hill Campus.

10A NCAC 14C .3803 PERFORMANCE STANDARDS

(a) An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.

- C- In Section II.8, pages 50-51, the applicant projects that the utilization rate for all UNC Hospitals acute care beds in the Orange County Service Area will be 82.8% in the third Project Year (FY2021: July 1, 2020 – June 30, 2021) following completion of the proposed project. See the following table.

Combined Total Acute Care Beds	Patient Days	ADC	AC Beds	Occupancy
UNC Hospitals Chapel Hill Campus	222,030	608.3	734	
UNC Hospitals Hillsborough Campus	21,449	58.8	72	
UNC Hospitals Orange County Total	243,478	667.1	806	82.8%

Projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

(b) An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.

- C- See Section III.1(b), pages 73-90 and Exhibit 39 (Section III.1(b) of UNC Hospitals Hillsborough Campus’ concurrently filed and complementary application, Project ID #G-11034-15) for the applicant’s methodology and data supporting the projections. The applicant’s assumptions and data used to project utilization support the projected utilization and average daily census. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

10A NCAC 14C .3804 SUPPORT SERVICES

(a) An applicant proposing to develop new acute care beds shall document that each of the following items shall be available to the facility 24 hours per day, 7 days per week:

- (1) laboratory services including microspecimen chemistry techniques and blood gas determinations;*
- (2) radiology services;*
- (3) blood bank services;*
- (4) pharmacy services;*
- (5) oxygen and air and suction capability;*
- (6) electronic physiological monitoring capability;*
- (7) mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilator/respirator;*
- (8) endotracheal intubation capability;*
- (9) cardiac arrest management plan;*
- (10) patient weighing device for a patient confined to their bed; and*
- (11) isolation capability;*

-C- In Section II.8, page 52, the applicant documents the availability of all of the items listed above 24 hours per day, seven days per week. Exhibit 3 contains a letter from the Executive Vice President and COO of UNC Hospitals regarding the availability of the services listed in this Rule at UNC Hospitals.

(b) If any item in Paragraph (a) of this Rule will not be available in the facility 24 hours per day, 7 days per week, the applicant shall document the basis for determining the item is not needed in the facility.

-C- In Section II.8, page 52, the applicant states that all of the items in Paragraph (a) of this Rule will be available at UNC Hospitals 24 hours per day, seven days per week.

(c) If any item in Paragraph (a) of this Rule will be contracted, the applicant shall provide correspondence from the proposed provider of its intent to contract with the applicant.

-C- In Section II.8, page 52, the applicant states that none of the items listed in Paragraph (a) of this Rule will be contracted.

10A NCAC 14C .3805 STAFFING AND STAFF TRAINING

(a) An applicant proposing to develop new acute care beds shall demonstrate that the proposed staff for the new acute care beds shall comply with licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

-C- Exhibit 3 contains a letter from the Executive Vice President and COO of UNC Hospitals documenting that the proposed staff will comply with the licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

(b) An applicant proposing to develop new acute care beds shall provide correspondence from the persons who expressed interest in serving as Chief Executive Officer and Chief Nursing Executive of the facility in which the new acute care beds will be located, documenting their willingness to serve in this capacity.

-C- In Section II.8, page 53, the applicant identifies the two individuals who currently serve as Chief Executive Officer and Chief Nursing Executive for UNC Hospitals. Exhibits 17 and 18 contain letters from each individual documenting their willingness to continue to serve in their respective roles.

(c) An applicant proposing to develop new acute care beds in a new hospital or on a new campus of an existing hospital shall provide a job description and the educational and training requirements for the Chief Executive Officer, Chief Nursing Executive and each

department head which is required by licensure rules to be employed in the facility in which the acute care beds will be located.

-NA- The applicant proposes to add 42 additional acute care beds to an existing hospital campus.

(d) An applicant proposing to develop new acute care beds shall document the availability of admitting physicians who shall admit and care for patients in each of the major diagnostic categories to be served by the applicant.

-C- In Section VII.8(b), pages 157-159, the applicant documents the availability of physicians who will admit and care for patients in each of the major diagnostic categories to be served at UNC Hospitals.

(e) An applicant proposing to develop new acute care beds shall provide documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories to be served by the applicant.

-C- In Section VII.1(b), pages 152-153 and Exhibit 3, the applicant provides documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories provided at UNC Hospitals.

SECTION .1200 – CRITERIA AND STANDARDS FOR INTENSIVE CARE SERVICES

10A NCAC 14C .1202 INFORMATION REQUIRED OF APPLICANT

(a) *An applicant that proposes new or expanded intensive care services shall use the Acute Care Facility/Medical Equipment application form.*

-C- The applicant completed the Acute Care Facility/Medical Equipment application form.

(b) *An applicant proposing new or expanded intensive care services shall submit the following information:*

(1) *the number of intensive care beds currently operated by the applicant and the number of intensive care beds to be operated following completion of the proposed project;*

-C- The applicant provides the following information in a table on page 55 of the application.

Intensive Care Units	ICU Beds as of 9/30/14	Project ID #J-8510-10 to add 12 ICU Beds	Project ID #J-8836-12 to add 4 Burn ICU Beds	Project ID #J-8330-09 to operate 18 ICU beds at Hillsborough (formerly gen AC beds at CH)	Upon Completion of Proposed Project to expand CTICU and NSICU
Burn	21	21	25	25	25
Cardiac (CICU)	13	13	13	13	13
Cardiovascular Surgery (CTICU)	9	9	9	9	16
Medical/Surgical (MICU/SICU)	34	46	46	46	46
Neonatal Beds Level IV	48	48	48	48	48
Pediatric	20	20	20	20	20
Respiratory Pulmonary (in Med/Surg)					
Other (NSICU)	16	16	16	16	24
Hillsborough Med/Surg (MICU/SICU)	NA	NA	NA	18	18
Total	161	173	177	195	210

(2) *documentation of the applicant's experience in treating patients at the facility during the past twelve months, including:*

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(A) *the number of inpatient days of care provided to intensive care patients;*

-C- The applicant provides UNC Hospitals 2015 License Renewal Application (LRA) in Exhibit 11, which documents 52,239 inpatient days of care provided to intensive care patients from October 1, 2013 through September 30, 2014.

(B) *the number of patients initially treated at the facility and referred to other facilities for intensive care services; and*

-C- On page 56 of the application, the applicant states that this rarely occurs and staff members are not aware of any recent referrals.

(C) *the number of patients initially treated at other facilities and referred to the applicant's facility for intensive care services.*

-C- On page 56 of the application, the applicant states that this figure is not tracked by ICU status, but rather transfers are tracked by clinical service. The applicant further states:

“Between 3/1/14 and 2/28/15, over 2,100 transfers were requested into Burn ICU, Adult Critical Care and Peds Critical Care, of which only 1,632 transfers could be accepted into Burn ICU, Adult Critical Care and Peds Critical Care. [Note: This does not include many adult ICU units.] During this same time period, UNC Hospitals received at least 11,823 requests and was able to accommodate 8,408 of these transfers. At least 458 [76.1 percent of all lost transfers] were due to the unavailability of the level of bed requested for that particular patient.”

(3) *the projected number of patients to be served and inpatient days of care to be provided by county of residence by specialized type of intensive care for each of the first twelve calendar quarters following completion of the proposed project, including all assumptions and methodologies;*

-C- The applicant provides the projected discharges and days of care by county of patient origin for UNC Hospital's CTICU and NSICU on pages 57-65, with the totals provided in the table below. The applicant states that these two ICU service components are the only ICU components included in the project. Wake and Alamance county residents make up 18% and 7%, respectively, of the projected CTICU discharges and days of care, with lesser percentages of patients from 53 other North Carolina counties. NSICU discharges and days of care include patients from 66 different North Carolina counties, with 10% from Cumberland County and 9% from both Orange and Alamance counties.

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	FY2019				FY2020				FY2021			
	1Q1	1Q2	1Q3	1Q4	2Q1	2Q2	2Q3	2Q4	3Q1	3Q2	3Q3	3Q4
CTICU Discharges	268	268	268	268	275	275	275	275	279	279	279	279
CTICU Patient Days	1,048	1,048	1,048	1,048	1,074	1,074	1,074	1,074	1,095	1,095	1,095	1,095
NSICU Discharges	394	394	394	394	403	403	403	403	415	415	415	415
NSICU Patient Days	1,514	1,514	1,514	1,514	1,552	1,552	1,552	1,552	1,597	1,597	1,597	1,597

- (4) *data from actual referral sources or correspondence from the proposed referral sources documenting their intent to refer patients to the applicant's facility;*
 - C- The applicant states (page 65) that the majority of its intensive care patients are patients that its physicians are treating. Exhibit 40 contains letters of support from UNC Hospitals' physicians.

- (5) *documentation which demonstrates the applicant's capability to communicate effectively with emergency transportation agencies;*
 - C- The applicant provides documentation of its ability to communicate effectively with emergency transportation agencies on pages 65-66 and in Exhibit 3.

- (6) *documentation of written policies and procedures regarding the provision of care within the intensive care unit, which includes the following:*
 - (A) *the admission and discharge of patients;*
 - (B) *infection control;*
 - (C) *safety procedures; and*
 - (D) *scope of services.*
 - C- Exhibits 14, 5, and 19 contain documentation of written policies and procedures regarding the provision of care within the ICU which include each of the areas set forth in subparagraphs (A) through (D) above.

- (7) *documentation that the proposed service shall be operated in an area organized as a physically and functionally distinct entity, separate from the rest of the facility, with controlled access;*
 - C- Exhibit 20 contains line drawings documenting that ICU services will be operated in an area that is organized as a physically and functionally distinct entity, separate from the rest of the facility, with controlled access.

- (8) *documentation to show that the services shall be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies;*

- C- Exhibit 3 contains a letter from the Executive Vice President and Chief Operating Officer of UNC Hospitals documenting that the services will be offered in a physical environment that conforms to the requirements of federal, state and local regulatory bodies.
- (9) *a floor plan of the proposed area drawn to scale; and*
- C- Exhibit 20 contains a floor plan.
- (10) *documentation of a means for observation by unit staff of all patients in the unit from at least one vantage point.*
- C- On page 67, the applicant states that the units included in the proposed project will be designed to incorporate direct visual observation by unit staff of all patients from at least one vantage point. The applicant provides line drawings in Exhibit 20 as documentation.

10A NCAC 14C .1203 PERFORMANCE STANDARDS

- (a) *The applicant shall demonstrate that the proposed project is capable of meeting the following standards:*
 - (1) *the overall average annual occupancy rate of all intensive care beds in the facility, excluding neonatal and pediatric intensive care beds, over the 12 months immediately preceding the submittal of the proposal, shall have been at least 70 percent for facilities with 20 or more intensive care beds, 65 percent for facilities with 10-19 intensive care beds, and 60 percent for facilities with 1-9 intensive care beds; and*
 - C- On page 68, the applicant provides data showing UNC Hospitals' Chapel Hill ICU beds, excluding neonatal and pediatric ICU beds, operated at 87.4% occupancy for the 12 months immediately preceding this application.
 - (2) *the projected occupancy rate for all intensive care beds in the applicant's facility, exclusive of neonatal and pediatric intensive care beds, shall be at least 70 percent for facilities with 20 or more intensive care beds, 65 percent for facilities with 10-19 intensive care beds, and 60 percent for facilities with 1-9 intensive care beds, in the third operating year following the completion of the proposed project.*
 - C- On page 69, the applicant provides data showing UNC Hospitals' projected ICU bed utilization (excluding neonatal and pediatric ICU) is projected to be 80.4% of occupancy in the third operating year following the completion of the proposed project.

- (b) *All assumptions and data supporting the methodology by which the occupancy rates are projected shall be provided.*
- C- The applicant's assumptions and data supporting the methodology by which the occupancy rates were determined are provided in Section III.1(b), pages 73-90, and Exhibit 39, which contains Section III.1(b) for Project ID #J-11034-15 (Add four acute care beds to UNC Hospitals Hillsborough Campus). The discussion regarding utilization in Criterion (3) is incorporated herein by reference.

10A NCAC 14C .1204 *SUPPORT SERVICES*

- (a) *An applicant proposing new or additional intensive care services shall document the extent to which the following items are available:*
- (1) *twenty-four hour on-call laboratory services including microspecimen chemistry techniques and blood gas determinations;*
 - (2) *twenty-four hour on-call radiology services, including portable radiological equipment;*
 - (3) *twenty-four hour blood bank services;*
 - (4) *twenty-four hour on-call pharmacy services;*
 - (5) *twenty-four hour on-call coverage by respiratory therapy;*
 - (6) *oxygen and air and suction capability;*
 - (7) *electronic physiological monitoring capability;*
 - (8) *mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilator/respirator;*
 - (9) *endotracheal intubation capability;*
 - (10) *cardiac pacemaker insertion capability;*
 - (11) *cardiac arrest management plan;*
 - (12) *patient weighing device for bed patients; and*
 - (13) *isolation capability.*
- C- Exhibit 3 contains a letter from the Executive Vice President and Chief Operating Officer, documenting the availability of the items listed in (1) through (13) above at UNC Hospitals.
- (b) *If any item in Subparagraphs (a)(1) - (13) of this Rule will not be available, the applicant shall document the reason why the item is not needed for the provision of the proposed services.*
- NA- In Exhibit 3, the applicant documents the availability of the items listed in (1) through (13) above at UNC Hospitals.

10A NCAC 14C .1205 STAFFING AND STAFF TRAINING

The applicant shall demonstrate the ability to meet the following staffing requirements:

(1) *nursing care shall be supervised by a qualified registered nurse with specialized training in the care of critically ill patients, cardiovascular monitoring, and life support;*

-CA- On page 71, the applicant states that nursing care is supervised by a registered nurse classified as a Patient Services Manager – III. However, the Patient Services Manager – III job description, provided on page 71, does not include any language documenting that “*specialized training in the care of critically ill patients, cardiovascular monitoring, and life support*” is required, nor does the letter in Exhibit 3 address the qualifications of the ICU nurses. The application is conforming to this Rule subject to Condition 5 in Criterion (4).

(2) *direction of the unit shall be provided by a physician with training, experience and expertise in critical care;*

-C- Exhibit 21 contains letters from the Chairs of the Department of Medicine and the Department of Surgery, documenting their willingness to continue to provide the medical direction for the Medicine Critical Care units and the Surgical Critical Care units, respectively.

(3) *assurance from the medical staff that twenty-four hour medical and surgical on-call coverage is available; and*

-C- Exhibit 3 contains a letter assuring 24-hour medical and surgical coverage. Exhibit 21 contains letters from the Chairs of the Department of Medicine and the Department of Surgery, stating:

“Coverage will be provided for these services on a 24 hour per day, seven day per week basis in conformance with 10A NCAC 14C .1205(3).”

(4) *inservice training or continuing education programs shall be provided for the intensive care staff.*

-C- Exhibit 22 contains examples of continuing education programs for intensive care staff.