

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 23, 2016

Findings Date: November 23, 2016

Project Analyst: Bernetta Thorne-Williams

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COMPETITIVE REVIEW

Project ID #: B-11196-16
Facility: Surgical Center for Dental Professionals of Asheville
FID #: 160288
County: Buncombe
Applicant(s): Surgical Center for Dental Professionals of Asheville, LLC
Project: Develop a dental and oral surgery ambulatory surgery facility with two operating rooms and two procedure rooms in Buncombe County pursuant to the demonstration project need determination in the 2016 SMFP

Project ID #: B-11203-16
Facility: Valleygate Dental Surgical Center of The Triad
FID #: 160293
County: Guilford
Applicant(s): Vallegate Dental Surgery Center of The West, LLC
Project: Develop a dental and oral surgery ambulatory surgery facility with two operating rooms and one procedure room in Guilford County pursuant to the demonstration project need determination in the 2016 SMFP

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative

limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C – Both Applications

The 2016 State Medical Facilities Plan (SMFP) includes an adjusted need determination for a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms to be located in Region 4: HSAs I and II, which includes Buncombe and Guilford counties. On pages 90-91, the 2016 SMFP states:

“Dental Single Specialty Ambulatory Surgical Facility Demonstration Project
In response to petitions from Knowles, Smith & Associates and Triangle Implant Center, an adjusted need determination for a Dental Single Specialty Ambulatory Surgical Demonstration Project (Project) was approved by the State Health Coordinating Council. Locating the facilities in different regions of the state exemplifies the access and value Basic Principles by preventing a single area from having a concentration of dental OR facilities. The Project establishes a special need determination for up to four new separately licensed dental single specialty ambulatory surgical facilities with up to two operating rooms each, such that there is a need identified for one new ambulatory surgical facility in each of the four following regions:

- *Region 1: HSA IV*
- *Region 2: HSA III*
- *Region 3: HSA V and HSA VI*
- *Region 4: HSA I and HSA II*

Applicants shall demonstrate in the certificate of need application that the proposal will meet each criterion set forth below:

Table 6D: Dental Single Specialty Ambulatory Surgical Facility Demonstration Project

CRITERION		BASIC PRINCIPLE AND RATIONAL
1	<i>The application shall contain a description of the percentage ownership interest in the facility by each oral surgeon and dentist.</i>	<i>Value Implementing this innovation through a demonstration project enables the State Health Coordinating Council to monitor and evaluate the innovation's impact.</i>
2	<i>The proposed facility shall provide open access to non-owner and non-employee oral surgeons and dentists.</i>	<i>Access Services will be accessible to a greater number of surgical patients if the facility has an open access policy for dentists and oral surgeons.</i>
3	<i>The facility shall provide only dental and oral surgical procedures requiring sedation.</i>	<i>Value Implementing this innovation through a demonstration project enables the State Health Coordinating Council to monitor and evaluate the innovation's impact.</i>

4	<i>The proposed facility shall obtain a license no later than one year from the effective date of the certificate of need.</i>	<i>Access Timely project completion increases access to services.</i>
5	<i>The proposed facility shall be certified by the Centers for Medicare and Medicaid Services (CMS), and shall commit to continued compliance with CMS conditions of participation.</i>	<i>Access Requiring service to indigent patients promotes equitable access to the services provided by the demonstration project facilities.</i>
6	<i>The proposed facility shall provide care to underserved dental patients. At least 3 percent of the total number of patients served each year shall be charity care patients and at least 30 percent of the total number of patients served each year shall be Medicaid recipients.</i>	<i>Access Requiring service to indigent patients promotes equitable access to the services provided by the demonstration project facilities.</i>
7	<i>The proposed facility shall obtain accreditation no later than one year after licensure by the Accreditation Association for Ambulatory Health Care (AAAHC), American Association for Accreditation of Ambulatory Surgery Facilities (AAAASF), or The Joint Commission (TJC), and shall commit to continued compliance with their respective standards.</i>	<i>Safety and Quality Adherence to certification processes ensures that the facility is committed to meeting the generally accepted industry standards for quality and safety for their patients.</i>
8	<i>Health care professionals affiliated with the proposed facility, if so permitted by North Carolina law and hospital by-laws, are required to establish or maintain hospital staff privileges with at least one hospital and to begin or continue meeting Emergency Department coverage responsibilities with at least one hospital.</i>	<i>Safety and Quality Encouraging health care professionals to establish or maintain hospital staff privileges and to begin or continue meeting Emergency Department coverage responsibilities helps ensure the continued viability of community-based resources for dental emergencies.</i>
9	<i>The proposed facility shall meet all reporting, monitoring and evaluation requirements of the demonstration project, set forth by the Agency.</i>	<i>Safety and Quality, Access, Value Timely monitoring enables the Agency to determine whether facilities are meeting criteria and to take corrective action if facilities fail to do so. This ensures that the demonstration project facilities meet all three Basic Principles.</i>
10	<i>For each of the first three full federal fiscal years of operation, the applicant(s) shall provide the projected number of patients for the following payor types, broken down by age (under 21, 21 and older): (i) charity care; (ii) Medicaid; (iii) TRICARE; (iv) private insurance; (v) self-pay; and (vi) payment from other sources.</i>	<i>Access Requiring service to a wide range of patients promotes equitable access to the services provided by the demonstration project facilities.</i>
11	<i>The proposed facility shall demonstrate that it will perform at least 900 surgical cases per operating room during the third full federal fiscal year of operation. The performance</i>	<i>Value Performing at least a minimum number of surgical procedures helps assure that patients receive the maximum healthcare benefit per dollar expended.</i>

<i>standards in 10A NCAC 14C.2103 would not be applicable.</i>	
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Timely reporting, monitoring and evaluation enables the Division of Health Service Regulation (Agency) to determine whether facilities are meeting criteria and to take corrective action if facilities fail to do so. To ensure that the demonstration project facilities meet all three Basic Principles, each selected site shall be required to provide annual reports to the Agency showing the facility's compliance with the criteria in Table 6D in the 2016 State Medical Facilities Plan. The Agency shall specify the report components and format. The Agency will produce an annual summary of each facility's annual report, and will evaluate the demonstration project after it has been in operation for three full federal fiscal years. Depending on the results as presented by the Agency, the State Health Coordinating Council shall consider whether to permit expansion beyond the original demonstration project sites."

Pursuant to the need determination, only one new Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms may be approved in this review for Region 4: HSAs I and II, which includes Buncombe and Guilford counties. Furthermore, the proposal must be consistent with the requirements in Table 6D in the 2016 SMFP, which are identified above.

Additionally, there are two policies in the 2016 SMFP which are applicable to this review: Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

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."

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, Certificate of Need 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 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

Two applications were submitted to the Healthcare Planning and Certificate of Need Section (Agency), each proposing to develop a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project to be located in Region 4.

Surgical Center for Dental Professionals of Asheville, LLC [SCDP of Asheville] proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and two procedure rooms to be located in Asheville (Buncombe County).

Need Determination

SCDP of Asheville's application is consistent with the need determination for a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms to be located in Region 4: HSAs I and II, which includes Buncombe and Guilford counties. Also, the application is consistent with the requirements in Table 6D in the 2016 SMFP, as follows:

1. In Section II.1, page 49, the application contains a description of the percentage ownership interest in the facility by each oral surgeon and dentist.
2. In Section II.1, page 50, the applicant states the proposed facility will provide open access to non-owner and non-employee oral surgeons and dentists.
3. In Section II.1, page 50, the applicant states the facility will provide only dental and oral surgical procedures requiring sedation.
4. In Section II.1, page 51, the applicant states the proposed facility will obtain a license no later than one year from the effective date of the certificate of need.
5. In Section II.1, page 51, the applicant states the proposed facility will be certified by the Centers for Medicare and Medicaid Services (CMS), and commit to continued compliance with CMS conditions of participation.

6. In Section II.1, page 51, the applicant states the proposed facility will provide care to underserved dental patients. In VI.14, page 178, the applicant projects that more than 3 percent of the total number of patients served each year will be charity care patients and more than 30 percent of the total number of patients served each year will be Medicaid recipients.
7. In Section II.1, page 52, the applicant states the proposed facility will obtain accreditation no later than one year after licensure by the Accreditation Association for Ambulatory Health Care (AAAHC) and/or The Joint Commission (TJC), and commits to continued compliance with their respective standards.
8. In Section II.1, page 52, the applicant states that health care professionals affiliated with the proposed facility, if so permitted by the North Carolina law and hospital by-laws, will be required to establish or maintain hospital staff privileges with at least one hospital and to begin or continue meeting Emergency Department coverage responsibilities with at least one hospital.
9. In Section II.1, page 52, the applicant states the proposed facility will meet all reporting, monitoring and evaluation requirements of the demonstration project, as set forth by the Agency.
10. In Section IV.1, page 144, the applicant provides a projection for each of the first three full federal fiscal years of operation (FFY2018-FFY2020) of the projected number of patients for the following payor types, broken down by age (under 21, 21 and older): (i) charity care; (ii) self-pay; (iii) Medicaid, (iv) private insurance; (v) TRICARE; and (vi) payment from other sources.
11. In Section IV.1, page 142, the applicant projects the proposed facility will perform more than 900 surgical cases per operating room during the third full federal fiscal year of operation (FFY2020).

Policies

Policy GEN-3

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Section III.1, pages 91-93, Section III.4, page 127, Section II.8, page 59, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section III.1, pages 93-100, Section III.4, pages 128-131, Section VI, pages 165-173, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section III.1, pages 68-123, and Section III.4, page 131.

The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would maximize healthcare value.

The applicant adequately demonstrates how its projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the facility need as identified by the applicant. The application is consistent with Policy GEN-3.

Policy GEN-4

The proposed capital expenditure for this project is greater than \$2 million, but less than \$5 million. In Section III.4, pages 131-132, and Section XI.8, page 213, the applicant describes its plan to assure improved energy efficiency and water conservation. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

In summary, the application is consistent with the need determination in the 2016 SMFP, Policy GEN-3 and Policy GEN-4. Consequently, the application is conforming with this criteria.

Vallegate Dental Surgery Center of The West, LLC [Valleygate] proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and one procedure room to be located at 510 Hickory Ridge Drive in Greensboro (Guilford County).

Need Determination

Vallegate's application is consistent with the need determination for a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms to be located in Region 4: HSAs I and II, which includes Buncombe and Guilford counties. Also, the application is consistent with the requirements in Table 6D in the 2016 SMFP, as follows:

1. In Section I.12, page 16, the application contains a table showing the percentage ownership interest in the facility by oral surgeon and dentist.
2. In Section III.4, page 108, the applicant states the proposed facility will provide open access to non-owner and non-employee oral surgeons and dentists.
3. In Section III.4, page 108, the applicant states the facility will provide only dental and oral surgical procedures requiring sedation.
4. In Section III.4, page 108, the applicant states the proposed facility will obtain a license no later than one year from the effective date of the certificate of need.
5. In Section III.4, page 109, the applicant states the proposed facility will be certified by the Centers for Medicare and Medicaid Services (CMS), and commits to continued compliance with CMS conditions of participation.
6. In Section III.4, page 109, the applicant states the proposed facility will provide care to underserved dental patients. In Section VI.14, page 174, the applicant projects that

at least 3 percent of the total number of patients served each year will be charity care patients and at least 30 percent of the total number of patients served each year will be Medicaid recipients.

7. In Section III.4, page 109, the applicant states the proposed facility will obtain accreditation no later than one year after licensure by the Accreditation Association for Ambulatory Health Care (AAAHC), and commits to continued compliance with their respective standards.
8. In Section III.4, page 110, the applicant states that health care professionals affiliated with the proposed facility, if so permitted by North Carolina law and hospital by-laws, will be required to establish or maintain hospital staff privileges with at least one hospital and to begin or continue meeting Emergency Department coverage responsibilities with at least one hospital.
9. In Section III.4, page 110, the applicant states the proposed facility will meet all reporting, monitoring and evaluation requirements of the demonstration project, as set forth by the Agency.
10. In Section III.4, page 111, the applicant states, *“The applicant agrees to provide information required by this criterion for each of the first three full fiscal years of operation.”* However, in Section VI.14, page 180, the applicant provides a projection for each of the first three full federal fiscal years of operation (FFY2019 - FFY2021) of the projected number of patients for the following payor types broken down by age (under 21, 21 and older): (i) charity, (ii) self-pay, (iii) Medicaid, (iv) commercial insurance, and (v) Military/Tricare.
11. In Section IV.1, page 130, the applicant projects the proposed facility will perform more than 900 surgical cases per operating room during the third full federal fiscal year of operation (FFY2021).

Policies

Policy GEN-3

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Section III.4, page 113, Section II.8, page 41, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section III.4, page 113, Section VI, pages 162-180, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section III.1, pages 48-103 and Section III.4, pages 112-113. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would maximize healthcare value.

The applicant adequately demonstrates how its projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the facility need as identified by the applicant. The application is consistent with Policy GEN-3.

Policy GEN-4

The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section III.4, page 114, and Section XI.8, page 214, the applicant describes its plan to assure improved energy efficiency and water conservation. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

In summary, the application is consistent with the need determination in the 2016 SMFP, Policy GEN-3, and Policy GEN-4. Consequently, the application is conforming to this criterion.

Conclusion

In summary, both applicants adequately demonstrate that their proposal is consistent with the need determination in the 2016 SMFP for a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms to be located in Region 4: HSAs I and II, which includes Buncombe and Guilford counties. However, the limit on the number of Dental Single Specialty Ambulatory Surgical Facility Demonstration Projects with up to two operating rooms to be located in Region 4: HSAs I and II that may be approved in this review is one project. Collectively, the two applicants propose a total of two Dental Single Specialty Ambulatory Surgical Facility Demonstration Projects. Therefore, even if both applications are conforming to all statutory and regulatory review criteria, both applications cannot be approved.

SCDP of Asheville's application is conforming to the need determination, Policy GEN-3 and Policy GEN-4. Valleygate's application is conforming to the need determination, Policy GEN-3, and Policy GEN-4. Therefore, both applications are conforming to this criterion. See the Summary following the Comparative Analysis for the decision.

- (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 – Both Applications

On page 90, the 2016 SMFP states:

The Project establishes a special need determination for up to four new separately licensed dental single specialty ambulatory surgical facilities with up to two operating rooms each, such that there is a need identified for one new ambulatory surgical facility in each of the four following regions:

- *Region 1: HSA IV*
- *Region 2: HSA III*
- *Region 3: HSA V and HSA VI*
- *Region 4: HSA I and HSA II*

As stated above, the 2016 SMFP defines the Region 4 service area as HSAs I and II, which includes Alamance, Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Caswell, Catawba, Cherokee, Clay, Cleveland, Davidson, Davie, Forsyth, Graham, Guilford, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Randolph, Rockingham, Rutherford, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin and Yancey counties. Providers may serve residents of counties not included in their service area.

SCDP of Asheville proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and two procedure rooms in leased space in a new office building to be located at 170 Sweeten Creek Road (primary site) in Asheville (Buncombe County). The applicant identifies three alternative sites in the application which are under consideration should the primary site become unavailable. In Section I.10, pages 6-7, the applicant states SCDP of Asheville will lease the space from Bebe Rose Properties, LLC, and management of the facility will be contracted to Papillion Management, LLC. SCDP of Asheville is a limited liability company whose sole member is Surgical Center for Dental Professionals of NC, LLC (SCDP of NC, LLC). In Section I.12, page 8, the applicant states:

“Surgical Center for Dental Professionals of NC, LLC (SCDP of NC, LLC) is a joint venture entity to be comprised of dental professionals, anesthesiologists and other clinical and non-clinical investors. At the time of submission of this application, 22.65 percent of the available shares have been committed, as follows: Dr. Uday Reebye, 18 percent; other dentists and oral surgeons, three percent ...; non-clinical investors, 1.65 percent.”

In Section II.1, page 48, the applicant states:

“SCDP of Asheville proposes to lease 9,868 square feet of space in a building to be developed by a third party developer on one of four potential sites in Asheville for the development of the proposed dental ASC. ... The 9,868 square feet will consist of shell space only, thereby requiring upfit for use as an ASC. All construction costs associated with the necessary upfit will be incurred by SCDP of Asheville The ASC will house two licensed operating rooms, two procedure rooms, an anesthesia workroom and control

room, sterilization room, an X-ray room, dry and wet lab area, and clean and soiled utility and supply, as well as men’s and women’s locker facilitates all within the sterile corridor ... (Exhibit 10). A nurse station, triage area, and pre-operative and post-operative spaces including a dedicated pediatric post-operative recovery room, which are accessible via the sterile corridor, will support the two operating rooms and two procedure rooms, and are shaded orange on the proposed line drawings (Exhibit 10). Additional spaces for a staff lounge, electrical room, and medical gases are also shaded orange. Non-clinical support spaces including receiving and registration, general and pediatric patient waiting, medical records, and toilets are shaded yellow on the proposed line drawings (Exhibit 10). Administrative and storage space, including offices, a conference/training room, and open work area are identified on the proposed line drawings (Exhibit 10) shaded green.”

Patient Origin

In Section III.6, page 133, the applicant provides the projected patient origin for the proposed facility for the first two operating years (FFY2018-2019), as summarized in the table below.

SCDP of Asheville Projected Patient Origin

County (HSA)	Year 1 Projected Patients FFY2018	Year 2 Projected Patients FFY2019	Projected Percent of Total Patients
Buncombe (I)	901	1,014	37.4%
Rutherford (I)	224	252	9.3%
Haywood (I)	205	231	8.5%
McDowell (I)	152	171	6.3%
Transylvania (I)	118	133	4.9%
Madison (I)	75	84	3.1%
Polk (I)	71	80	3.0%
Yancey (I)	60	67	2.5%
Other*	602	678	25.0%
TOTAL	2,409	2,710	100.0%

*Other: Alamance, Alexander, Alleghany, Ashe, Avery, Burke, Caldwell, Caswell, Catawba, Cherokee, Clay, Cleveland, Davidson, Davie, Forsyth, Graham, Guilford, Henderson, Jackson, Macon, Mitchell, Randolph, Rockingham, Stokes, Surry and Swain counties.

In Section III.6, page 134, with regard to its assumptions for the projected patient origin, the applicant states:

“SCDP of Asheville projected its patient origin based on support from its dental professionals in counties in the region, population data, the location of the proposed facility, and the experience of its dental professional supporters and investors in other areas of the state. Given these factors, SCDP of Asheville assumes that 75 percent of its

patients would originate from Buncombe County ... and its surrounding and/or contiguous counties which include Haywood, Madison, McDowell, Polk, Rutherford, Transylvania, and Yancey counties. Patients within these counties were distributed based on the population distribution within these counties. The remaining 25 percent of SCDP of Asheville patients are assumed to originate from the remaining counties in Region 4."

The applicant adequately identified the population proposed to be served.

Analysis of Need

In Section III.1(a) and (b) of the application, the applicant describes the factors which it states support the need for the proposed project, including:

- The lack of accessibility to operating rooms at hospitals and multispecialty ambulatory surgical facilities by dental professionals [pages 73-81].
- Historical and projected population growth in the Region 4 service area [pages 81-87].
- The dentist shortage and the need for continuing education opportunities for dentists and oral surgeons and training opportunities for dental students that the proposed facility will provide [pages 87-91].
- Historical use rates per 1,000 population for dental and oral surgical cases requiring sedation experienced by the applicant's existing Triangle Implant Center offices in Durham, Alamance and Wilson counties [pages 104-111].

The information provided by the applicant on the pages referenced above is reasonable and adequately supported.

Projected Utilization

In Section IV.1, page 142, the applicant provides the projected utilization for the operating rooms and procedure rooms at its proposed facility for the first three years of operation following completion of the project (FFY2018-FFY2020), which is summarized below.

**SCDP of Asheville
 Projected Utilization (FFY2018-FFY2020)**

	Year 1 FFY2018	Year 2 FFY2019	Year 3 FFY2020
Operating Room Utilization			
Operating Room Cases	1,600	1,800	2,000
Number of Operating Rooms	2	2	2
Operating Room Cases/Operating Room	800	900	1,000
Procedure Room Utilization			
Procedure Room Cases	809	910	1,012
Number of Procedure Rooms	2	2	2
Procedures/Procedure Room	404	455	506

As shown in the table above, the applicant projects the proposed facility will perform 2,000 cases in the two operating rooms, or 1,000 cases in each operating room, in the third operating year (FFY2020), which exceeds the annual utilization standard of 900 surgical cases per operating room required in Table 6D in the 2016 SMFP. The applicant's utilization projections are based on support letters from dental professionals contained in Exhibit 29 of the application. The support letters in Exhibit 29 include estimates by those dental professionals of the number of dental procedures for patients requiring sedation they will perform each month at the proposed dental ASF. In Section III.1(b), pages 105-118, the applicant states:

"As evidenced by the letters of support in Exhibit 29, SCDP of Asheville is supported by dental professionals in the community." [page 105].

"SCDP of Asheville expects to provide 3,012 to 3,112 cases annually by the third project year... As demonstrated in the support letters provided in Exhibit 29 and summarized in the table below, SCDP of Asheville has the support of 15 dental professionals in total, three of which intend to perform between four to 15 cases per month or 36 [sic] to 180 cases annually at the proposed facility once it is operational. The other 12 dental professionals intend to refer patients to the facility." [pages 117- 118]

"SCDP of Asheville believes that its projected utilization is modest and achievable and is supported by its experience in other markets." [page 119]

With regard to the projected allocations of the cases between the operating rooms and procedure rooms, the applicant projects that 1,012 cases will be performed in its procedure rooms in project year three. On page 119, the applicant states:

"Based on the experience of its owners and managers providing dental and oral surgical procedures requiring sedation, SCDP of Asheville believes that most of its projected cases would be appropriate to be performed in either the two proposed operating rooms or in the two proposed procedure rooms. Patients will be priority scheduled in the operating rooms based on the request of the user. SCDP of Asheville believes that it is reasonable to estimate that each operating room will provide 1,000 cases annually and that the remainder of the facility's cases will be performed in the two procedure rooms. As such, the two procedure rooms are expected to provide 1,012 cases annually or 506 cases per room."

While the procedure rooms will be similar in capability to the operating rooms, SCDP of Asheville expects them to be used slightly less, on average, than the operating rooms for a few reasons. First, if special requests are made by users for a particular room, it is likely to be for one of the operating rooms; thus, they will likely be used more than the procedure rooms, based on availability. Second, one of the procedure rooms will be more specialized in that it will include a fixed microscope and cases requiring that equipment will require and have priority for the use of that room. Thus, SCDP expects the average

capacity and the average number of cases performed in each procedure room to be slightly less than that performed in each operating room.”

Also, the applicant’s projections include the assumption that utilization will “ramp up” over the first three operating years. On pages 120-121 the applicant states:

“[B]ased on the experience of SCDP of Asheville’s owners and managers, it believes that the case times in the procedure rooms will be similar to those in the operating rooms, and, as such, the capacity of the rooms will be similar.

Thus, using 900 cases per year per room, the utilization standard for the operating rooms, as the target for the procedure rooms, and assuming that the operating rooms each perform 1,000 cases in year three, each of the two procedure rooms would perform 506 cases in year three, or 56 percent of 900 cases. ...

SCDP of Asheville has therefore assumed that its volume will ramp up from PY1 to PY3, using conservative estimates of 80 percent and 90 percent of the total PY3 volume for PY1 and PY2, respectively.

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
<i>% Ramp Up</i>	<i>80%</i>	<i>90%</i>	<i>100%</i>
<i>Operating Rooms</i>	<i>1,600</i>	<i>1,800</i>	<i>2,000</i>
<i>Procedure Rooms</i>	<i>809</i>	<i>910</i>	<i>1,012</i>
<i>Total Facility</i>	<i>2,409</i>	<i>2,710</i>	<i>3,012</i>

Exhibit 29 contains letters from 46 dental professionals in the proposed service area expressing support for the proposed project. Three of those letters of support express their intention to perform, collectively, between 3 and 15 cases per month (36 to 180 cases, annually) at the proposed facility. Additionally, 12 of those letters of support do not indicate the number of cases that those dental professionals project to perform. However, assuming the same number of cases, those dental professionals could perform an additional 12 to 60 cases per month collectively (144 to 720 cases, annually). Projected utilization is based on reasonable and adequately supported assumptions.

Based on review of: 1) the information provided by the applicant in Section III, pages 68-104, including referenced exhibits; 2) comments received during the first 30 days of the review cycle; and 3) the applicant’s response to the comments received at the public hearing, the applicant adequately documents the need to develop the proposed dental single specialty ambulatory surgical facility in Region 4.

Access

In Section VI.1, pages 165-168 and referenced Exhibits, the applicant states it is committed to provide services to all patients who need the services regardless of their ability to pay, racial/ethnic origin, age, gender, or disability. In Section VI.14, page 178, the applicant

projects that 4.2% of total patients will receive charity care and 52.0% will be Medicaid recipients. The applicant adequately demonstrates the extent to which all residents, including underserved groups, will have access to the proposed services.

Conclusion

In summary, the applicant adequately identified the population to be served, demonstrated the need the population has for the project and adequately demonstrated the extent to which all residents, including underserved groups, will have access to the proposed services. Therefore, the application is conforming to this criterion.

Valleygate proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and one procedure room in leased space in a building located at 510 Hickory Ridge Drive in Greensboro (Guilford County) to be known as Valleygate Dental Surgery Center of The Triad (VDSCT). In Section I.10, pages 13-14, the applicant states Valleygate will lease the space from Shugart Enterprises, LLC, and that management of the facility will be contracted to Knowles, Smith and Associates, LLP. In Section I.12, page 16, the applicant states Valleygate is a limited liability company whose members are seven dentists, each of whom holds a 14.3 percent ownership interest. The applicant states that each of the dentists is also an owner of Knowles, Smith and Associates. In Section II.1, page 27, the applicant describes the proposed project as follows:

“It will have two operating rooms, one procedure room, and additional pre- and post-surgery care areas, which will include private rooms. The applicant will have the entire facility designed specifically for dental and oral surgery cases; its design will accommodate a flexible response to changing care delivery patterns. Private rooms in the pre- and post-surgery area will have flexibility of use for history and physical examinations prior to admission, as well as for procedures that require conscious sedation, but do not require the full design support of a procedure room or an operating room.”

On page 28, the applicant describes the operating rooms and the procedure room as follows:

“Design of the two operating rooms will include provision to handle the most complex cases of any length. Specifically, the operating rooms will take patients classified as ASA [American Society of Anesthesiologists] class IV or lower.

...

Renovation and up-fit of the one procedure room will be according to the same standards of, and equipped with the same chairs, lights, anesthesia machines, and other equipment as, the operating rooms.”

On page 31, the applicant describes the treatment rooms as follows:

“Outside the sterile core operating rooms, the facility will have four rooms that can serve as exam rooms, dental treatment rooms, or additional recovery rooms. Due to the relatively low volumes expected for dental treatment, only one of these rooms is expected to be used as a treatment suite at any given time, while the others serve as exam rooms and recovery rooms.

The dental treatment suite will have the same equipment used in many dental offices. It will accommodate a variety of dental procedures for both adults and children. It will be distinct from the operating rooms. It will not be equipped for general anesthesia, but will support sedation. Only dentists licensed to provide sedation by the NC Dental Board will provide dental treatment under IV or oral sedation in the treatment room. The applicant will staff procedures in this room with a CRNA under the supervision of the performing dentist. During sedation, either the CRNA or dentist will be with each sedated patient in the treatment rooms, regardless of the level of sedation....”

The applicant states that typical procedures to be performed in the three treatment rooms will include tooth extractions, endodontic therapy (root canals), and periodontal treatment. On pages 31-32, the applicant states:

“Another function of the private rooms will be as exam rooms in which an anesthesiologist or other qualified medical professional can conduct history and physician exams, pre-surgical assessment, or other necessary examinations. ... A comprehensive medical H&P assessment must be completed by a physician ... Upon admission, each patient must receive a pre-operative assessment ...”

Patient Origin

In Section III.6, page 117, the applicant provides the projected patient origin for the proposed facility for the first two operating years (FFY2018-2019), as summarized in the table below.

**Valleygate Dental Surgery Center of The Triad
 Projected Patient Origin**

County (HSA)	Year 1 Projected Patients FFY2018	Year 2 Projected Patients FFY2019	Projected Percent of Total Patients
Forsyth (II)	800	837	30.3%
Guilford (II)	602	630	22.8%
Alamance (II)	252	264	9.5%
Davidson (II)	247	259	9.4%
Randolph (II)	235	246	8.9%
Rockingham (II)	141	148	5.3%
Surry (II)	119	124	4.5%
Yadkin (II)	55	57	2.1%
Stokes (II)	55	57	2.1%
Davie (II)	51	53	1.9%
Caswell (II)	34	36	1.3%
Other*	53	55	2.0%
TOTAL	2,643	2,767	100.0%

Source: Table on page 117.

*Other includes North Carolina counties outside the service area and may include patients from out of state.

In Section III.6, page 117, the applicant states projected patient origin is based on the practice locations of the dentists who have committed to using the facility, expected referrals from community health centers, and the need for dental surgical services within the applicant’s market area. The applicant adequately identified the population proposed to be served.

Analysis of Need

In Section III.1(a) and (b) of the application, the applicant describe the factors which it states support the need for the proposed project, including:

- The incidence and prevalence of dental disease in children [pages 49-61].
- Demographic profile of projected market area [pages 66-71].
- Barriers to access to dental and oral surgical services such as medical staff credentialing requirements and regulatory requirements [pages 76-83].
- The lack of access and regular availability of operating rooms at area hospitals [pages 83-84].
- The need for specialized dental surgical equipment [pages 80-81].
- The need to reduce the incidence of dental-related emergency room visits [page 82].
- The need for dental surgical services for children of low-income families [pages 66-71].

- Shortages in dental health professionals within the proposed service area [pages 85-88].

The information provided by the applicant on the pages referenced above is reasonable and adequately supported.

Projected Utilization

In Section IV.1, page 130, the applicant provides the projected utilization for the operating rooms and procedure rooms at its proposed facility for the first three years of operation following completion of the project (FFY018-FFY2020), which is summarized below.

VDSCT Projected Utilization (FFY2018-FFY2020)

	Year 1 FFY2018	Year 2 FFY2019	Year 1 FFY2020
Operating Room Utilization			
Operating Room Cases	1,938	1,937	1,936
Number of Operating Rooms	2	2	2
Operating Room Cases/Operating Room	969	969	968
Procedure Room Utilization			
Procedure Room Cases	524	641	758
Number of Procedure Rooms	1	1	1
Treatment Rooms			
Treatment Room Cases	181	189	197
Number of Treatment Rooms	1	1	1

Source: Table on page 130 of the application

As shown in the above table, the applicant projects the proposed facility will perform 1,936 cases in the two operating rooms, or 968 cases in each operating room, in the third operating year (FFY2020), which exceeds the annual utilization standard of 900 surgical cases per operating room as required in Table 6D in the 2016 SMFP.

In Section III.1(a), pages 89-103, and Section IV.1, pages 131-146, the applicant describes its methodology and assumptions for projecting utilization of the proposed facility.

Based on the applicant's experience in 2012, it assumes that 36.3 percent of Medicaid patients under age 9 will require a dental procedure under general anesthesia [See table on page 89]. Based on data from the North Carolina Division of Medical Assistance (DMA) for 2014, the applicant projects the total number of Medicaid beneficiaries under age 9 that will receive dental treatment each year from 2014 through 2021 by HSA [See table on page 92]. On page 93, the applicant applies the percentage that it assumes will require a dental procedure under general anesthesia (36.3%) to the total projected number of Medicaid patients under age 9 who will require dental services [See table on page 93]. Based on data from the Centers for Disease Control, the applicant assumes that the non-Medicaid patient population under age 9 who will require dental procedures under general anesthesia at

approximately half the rate at which Medicaid patients will require them [See table on page 94]. On page 95, the applicant combines the total projected number of Medicaid patients under age 9 who will require dental services under general anesthesia with total projected number of non-Medicaid patients under age 9 who will require dental procedures under general anesthesia for each year from 2014 through 2021 by HSA [See table on page 95]. On page 96, the applicant estimates the percentage of dental surgery cases in operating rooms for patients over the age of 9 based on data provided by the DMA, as shown in the following table.

Table III.14– Estimated Percent NC Medicaid Dental Surgery Cases Over Age Nine

Age Group	2015 Dental Surgery Cases in Hospitals or ASCs (b)
0 – 5	9,092
6 – 7	1,858
8 – 20	2,052
21+	1,257
Total	14,259
Percent 21 and Over (a)	8.82%

Notes: a: To be conservative, the applicant assumes percent Medicaid cases for 21 and older = estimated all payer percent for nine and older.

b: Provided by the NC Division of Medical Assistance

On page 97, the applicant states,

“To estimate the total population in need, divide the total need for patients under [age] nine from Step 7 [the table on page 95 of the application] by one minus the estimated percent dental surgery cases in operating [sic] for individuals nine and over from Step 8 [the table on page 96 of the application].

Table III.15 – Estimated Total Persons in Need of Dental Surgery by Year

HSA	2014	2015	2016	2017	2018	2019	2020	2021
<i>I</i>	9,228	9,172	9,117	9,062	9,009	8,956	8,904	8,852
<i>II</i>	13,131	13,066	13,001	12,937	12,873	12,809	12,746	12,684
<i>III</i>	13,914	13,924	13,936	13,947	13,960	13,974	13,988	14,004
<i>IV</i>	11,597	11,577	11,558	11,539	11,521	11,504	11,487	11,471
<i>V</i>	9,648	9,579	9,512	9,447	9,382	9,319	9,257	9,196
<i>VI</i>	8,194	8,100	8,007	7,917	7,827	7,740	7,653	7,568
Total	65,711	65,419	65,131	64,849	64,573	64,302	64,035	63,775

Source: Step 7, Table III.13 divided by (1 minus 8.82%).

On page 99, the applicant provides the following table showing the total projected number of patients who will require dental services under general anesthesia for each county in the applicant’s proposed market area from 2014 through 2021.

Table III.16 – Total Need: HSA II Counties

	HSA	2014	2015	2016	2017	2018	2019	2020	2021
<i>Alamance</i>	<i>II</i>	<i>1,100</i>	<i>1,097</i>	<i>1,093</i>	<i>1,090</i>	<i>1,087</i>	<i>1,084</i>	<i>1,080</i>	<i>1,077</i>
<i>Caswell</i>	<i>II</i>	<i>159</i>	<i>158</i>	<i>157</i>	<i>157</i>	<i>156</i>	<i>155</i>	<i>155</i>	<i>154</i>
<i>Davidson</i>	<i>II</i>	<i>1,066</i>	<i>1,058</i>	<i>1,050</i>	<i>1,041</i>	<i>1,033</i>	<i>1,025</i>	<i>1,018</i>	<i>1,010</i>
<i>Davie</i>	<i>II</i>	<i>204</i>	<i>203</i>	<i>202</i>	<i>200</i>	<i>199</i>	<i>197</i>	<i>196</i>	<i>195</i>
<i>Forsyth</i>	<i>II</i>	<i>3,106</i>	<i>3,100</i>	<i>3,094</i>	<i>3,088</i>	<i>3,082</i>	<i>3,076</i>	<i>3,070</i>	<i>3,065</i>
<i>Guilford</i>	<i>II</i>	<i>4,301</i>	<i>4,284</i>	<i>4,267</i>	<i>4,250</i>	<i>4,233</i>	<i>4,216</i>	<i>4,199</i>	<i>4,182</i>
<i>Randolph</i>	<i>II</i>	<i>1,355</i>	<i>1,341</i>	<i>1,327</i>	<i>1,313</i>	<i>1,300</i>	<i>1,286</i>	<i>1,273</i>	<i>1,260</i>
<i>Rockingham</i>	<i>II</i>	<i>660</i>	<i>658</i>	<i>655</i>	<i>653</i>	<i>651</i>	<i>649</i>	<i>646</i>	<i>644</i>
<i>Stokes</i>	<i>II</i>	<i>223</i>	<i>222</i>	<i>221</i>	<i>221</i>	<i>220</i>	<i>219</i>	<i>218</i>	<i>217</i>
<i>Surry</i>	<i>II</i>	<i>654</i>	<i>645</i>	<i>637</i>	<i>629</i>	<i>621</i>	<i>613</i>	<i>605</i>	<i>597</i>
<i>Yadkin</i>	<i>II</i>	<i>304</i>	<i>301</i>	<i>298</i>	<i>295</i>	<i>292</i>	<i>289</i>	<i>286</i>	<i>284</i>
Total		13,131	13,066	13,001	12,937	12,873	12,809	12,746	12,684

In Section IV.1, page 132, the applicant estimates that referral sources who have expressed an interest and support for the project would refer 816 (low estimate) to 1,176 (high estimate) dental surgical cases to the proposed dental ASF annually. The applicant provides the following table on page 132 of pediatric dentists who project to refer patients to the proposed facility. The estimated number of pediatric patients for Dr. Applebaum and Dr. Isharani appear to have been transposed from the Table in Exhibit 18; however, this does not change the total number of projected procedures. Both Tables are illustrated below.

Table IV.2 – Estimated Historical OR Volumes from VDSCT Referral Sources

Source	Low Estimate of Cases	High Estimate Of Cases
<i>Gina Spangler, DDS</i>	<i>120</i>	<i>180</i>
<i>Gail Rohlfing, DDS</i>	<i>72</i>	<i>96</i>
<i>Kate Lambert, DDS</i>	<i>120</i>	<i>180</i>
<i>Sona Isharani, DDS</i>	<i>360</i>	<i>360</i>
<i>Matt Applebaum, DMD</i>	<i>60</i>	<i>240</i>
<i>Stephanie Lindsay, DDS, MS</i>	<i>84</i>	<i>120</i>
Total	816	1,176

*Source: Estimates provided by dentists who propose to utilize the facility.
 Note: All of these proposed user dentists currently meet the training requirements in VDSCT's credentialing criteria.*

Table from Exhibit 18

Source	Low Estimate of Cases	High Estimate Of Cases
Gina Spangler, DDS	120	180
Gail Rohlfig, DDS	72	96
Kate Lambert, DDS	120	180
Matt Applebaum	360	360
Sona Isharani, DDS	60	240
Stephanie Lindsay, DDS, MS	84	120
Total	816	1,176

In her letter of support in Exhibit 18, Dr. Isharani projects to refer 5-20 cases to the facility monthly [5x12=60] and [20x12=240]. The applicant did not provide a letter of support from Dr. Applebaum in its exhibits indicating the number of cases he projects to refer to the facility. In its response to written comments, the applicant provided a letter from Dr. Applebaum indicating that he would refer 30 cases monthly [30x12=360].

On pages 132-133, the applicant states:

“In addition to the referral estimates provided via letters of support, other dentists ... indicated the number of patients each dentist or oral surgeon could bring the facility ... The dentists who provided information via emails, [and] surveys, and meet the credentialing criteria for VDSCT estimated an additional 372 to 472 referrals. ... many service area counties, including Guilford County, are designated as dental shortage areas. ...

VDSCT will serve a significant proportion of the dental and oral ambulatory surgical cases from the 11-county area. With regard to use patterns, this will represent a ‘shift’ of dental cases and some oral surgery cases from hospitals/ASCs to the Dental ASF.”

Therefore, based on the applicant’s projection of the number of patients who will require dental services under general anesthesia for each county in the applicant’s proposed market area for 2015 [Shown in Table III.16 above], and the applicant’s estimate of the total number of referrals from the prospective referral sources identified in Table IV.2 above, the applicant projects its proposed dental ASF would have a market share of 17.5 percent of the total dental surgical cases from the proposed market area in 2017. On page 133, the applicant provides a table showing its market share projections for the first three operating years, which is shown below:

Table IV.3 – Forecast Percent of 11-County Need for Dental Surgery Cases in Operating Rooms Served in First Three Full Fiscal Years

FY 2017	FY 2019	FY 2020	FY 2021
17.5%	20.0%	21.0%	22.0%

With regard to its market share projections, on page 133, the applicant states:

“This forecast is reasonable and conservative:

- *Access to scheduled blocks will increase user efficiency, increasing the number of procedures each dentist can perform.*
- *The demonstration will be a new concept and providers may be slow to absorb its full value.*
- *Dentists practicing in the facility will accept referrals from community health centers (CHCs) and other community clinics. This will increase demand in existing pediatric and oral surgeon practices and account for demand the dentists did not include in their letters. ...*
- *Practices that serve the population in need have expressed interest in referring or bringing patients to dentists who practice at the center. ...*
- *The increase in percent of need reflects initial response to pent up demand*
- *The percent applies to the 11-counties only, and does not adjust down for the patients who will come from outside the 11-counties.*
- *The Dental ASF will have capacity to support these cases.*
- *The annual increase in market share is modest.*
- *Sustained growth in area dental practices and the VDSCT open access policy provides a mechanism for existing and new dentists’ reasonable absorption of the additional annual procedures by the year 2020,*
- *The need projection ... includes no increase in the percentage of Medicaid beneficiaries who receive dental treatment.”*

On page 134, the applicant provides a table showing its projected market share for the first three operating years applied to the applicant’s projected number of patients who will require dental services under general anesthesia for the applicant’s proposed market area, which are shown below:

Table IV.4 – Estimated VDSCT Dental Cases by Project Year

Notes	Metric	FY 2018	FY 2019	FY 2020
a	Forecast Dental Surgery Cases	12,809	12,746	12,684
b	Estimated VDSCT Percent of Need Served	20.0%	21.0%	22.0%
c	Projected Dental Surgery Cases Served	2,562	2,677	2,790

Notes;

- a From Table III.15*
- b Assumption from Step 1 [pages 131-132]*
- c a*b*

In addition to the projected dental surgery cases shown above, the applicant also projects the number of oral surgery cases to be served.

On page 135, the applicant projects to serve 100 oral surgery cases by the third year (2020) of operations or 48 percent of the oral surgery cases in its market area. The applicant assumes a 39.5 percent market share in 2018 (81/205) and increases the number of cases by 10 percent

for each subsequent year and adds the expected oral surgery referrals from Step 3 to the projected dental cases in Step 2, as illustrated below.

Table IV.5 – Estimated VDSCT Total Cases by Project Year

Notes	Metric	FY 2018	FY 2019	FY 2020
a	Projected Dental Cases Served	2,562	2,677	2,790
b	Projected Oral Surgery Referrals	81	90	100
c	Total Projected Cases	2,643	2,767	2,890

Notes;

a From Table IV.4

b 2018 market share of 39.5 percent (81 cases) increase by 10 percent year to reach expected 100 cases in 2010:

c a+b

Utilization Projections by Type of Room

The applicant projects cases by operating room, treatment room and procedure room.

On page 137, the applicant provides a table showing its projected number of cases that will be served in the treatment room, based on the assumption that 7.05 percent of the total projected cases will be appropriate for those rooms. The applicant states:

“General anesthesia is often clinically indicated for special needs adults. Recognizing that most of the literature indicates that general anesthesia for adults is rarely necessary for dental procedures; the applicant assumes that 80 percent of the adults (persons over 21) appropriate for treatment [in] the facility will not require general anesthesia, hence will use the dental treatment rooms.

Assuming that only this group [special needs adults] uses the treatment rooms, the applicant calculates that 7.05 percent of total cases will use the dental treatment rooms.

*(8.2% adult dental cases * 80% in treatment rooms = 7.05% of total cases)*

The remaining adult dental patients will use the operating rooms for dental surgery cases.

Multiply total projected dental cases from Table IV.5 [Step 4] by 7.05 to get Total Cases in Treatment rooms.

Table IV.7 – Total Cases in Treatment Rooms

FY 2018	FY 2019	FY 2020
181	189	197

With regard to the projected allocation of the cases between the operating rooms and the procedure room, on page 138, the applicant states:

“Due to the complex nature of oral surgery cases projected to be in VDSCT, the applicant assumes 100 percent of oral surgery cases require the operating rooms ...”

On page 139, the applicant provides the projected number of complex surgical dental cases to be provided in the operating room, as illustrated below.

Table IV.9 – Morning OR Times for Complex or High Acuity Cases

Notes	Metric	2018	2019	2020
a	Pediatric Dental OR Cases	561	586	611
b	Adult Dental Cases	45	47	49
c	Oral Surgery Cases	81	90	100
d	Total Morning OR Cases	687	723	760

*Notes: a. Total dental surgery cases from Table IV.5 [page 135] times row b in Table IV.8 [page 138]
 b. Total dental surgery cases from Table IV.5 [page 135] times row c in Table IV.8 [page 138]
 c. Total oral surgery cases from Table IV.5 [page 135] times 24 percent (from Step 4) [page 135]
 d. a+b+c*

On pages 141-143, the applicant distributes the remaining cases between operating and procedure rooms.

Based on the applicant’s assumptions regarding patient acuity levels, surgical case times, and room capacity [See tables on pages 130-142], the applicant projects the distribution of cases among the three room types for the first three operating years in a table on page 143, which is summarized below:

Projected Cases by Room Type	Number of Rooms	FY 2018	FY 2019	FY 2020
Operating Rooms	2	1,938	1,937	1,936
Procedure Room	1	524	641	758
Treatment Rooms	1	181	189	197
Total Cases		2,643	2,767	2,890

Source: Table on page 143 of the application.

As discussed above, the applicant’s projections of surgical cases that will be performed at the proposed dental ASF are based on its historical experience regarding the percentage of patients who will require a dental procedure under general anesthesia, the total projected number of Medicaid patients under age 9 who will require dental services in the proposed service area based on DMA estimates and projected population growth in the proposed market area. The applicant projects utilization by non-Medicaid patients based on data from the CDC. The applicant’s estimates of dental surgery cases in operating rooms for patients over the age of 9 is based on data provided by DMA. The applicant’s projections are supported by letters in Exhibits 18, 21 and 26 from dental professionals and other healthcare providers in the proposed market area who have expressed support for the proposed project and their intention to refer patients to the proposed facility. Projected utilization is based on reasonable and adequately supported assumptions. Therefore, the applicant adequately

demonstrated the need to develop a dental and oral surgery ambulatory surgery facility with two operating rooms, one procedure room, and one treatment room.

Access

In Section VI.2, pages 162-164, the applicant states it is committed to provide services to all patients who need the services regardless of their ability to pay, racial/ethnic origin, age, gender, physical or mental conditions or other conditions that would classify them as underserved. In Section VI.14, page 174, the applicant projects that 78.23 percent of patients to be served will be Medicaid recipients and that 3.75 percent of its patients will be charity care patients. The applicant adequately demonstrates the extent to which all residents, including underserved groups, will have access to the proposed services.

Conclusion

In summary, the applicant adequately identified the population to be served, demonstrated the need the population has for the project and adequately demonstrated the extent to which all residents, including underserved groups, will 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 – Both Applications

- (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.

C – Both Applications

SCDP of Asheville. In Section III.8, pages 134-139, the applicant describes the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintain the Status Quo – The applicant states that maintaining the status quo is not an effective alternative because it would not meet the need for a facility where dental procedures that require sedation can be performed.
- Locate the Facility in Another Part of Region 4 – The applicant states that it determined that Asheville was the best location because *“Buncombe County is accessible to residents of many counties within Region 4, particularly the western counties of North Carolina, and Asheville is by far the largest and most centrally located municipality within the county.”*

- Develop a Pediatric Focused ASF – The applicant states that developing a dental ASF limited to pediatric dental surgery would not promote equitable access to dental services requiring sedation or anesthesia.

After considering those alternatives, the applicant states the alternative represented in the application is the most effective alternative to meet the identified need.

Furthermore, the application is conforming to all other 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 this proposal is the least costly or most effective alternative to meet the identified need. Therefore, the application is conforming to this criterion.

Valleygate. In Section III.8, pages 119-122, the applicant describes the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintain the Status Quo –The applicant states that maintaining the status quo is not an effective alternative because it would not address the lack of access to properly equipped operating rooms for pediatric dentists and their patients.
- Perform the Dental Procedures Requiring Anesthesia in Dental Offices – The applicant states that it rejected this alternative because performing these procedures in a dental office does not “*provide maximum safety to a patient incapacitated by general anesthesia*” and providing anesthesia in a dental office is not as cost effective as performing those procedures in an operating room.
- Locate the Facility in a Different Location in Region 4 - The applicant states that it rejected this alternative because the Guilford County location is “*highly accessible to patients and providers from across the region.*”
- Select a Different Scope of Services – The applicant states that its proposed scope of service is based on its determination that “*the primary driver of need for access to dental surgery, under general anesthesia, in a safe environment, is the needs of children.*”
- The Use of Patient Restraints – The applicant states, “*Restraining children can be an emotionally taxing experience ... Using anesthesia is both less emotionally taxing and more clinically effective.*”

After considering those alternatives, the applicant states the alternative represented in the application is the most effective alternative to meet the identified need.

Furthermore, the application is conforming to all other 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 the proposal is the least costly or most effective alternative to meet the identified need. Therefore, the application is conforming to this criterion.

- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C – Both Applications

SCDP of Asheville proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and two procedure rooms in leased space in a new office building to be located at 170 Sweeten Creek Road in Asheville.

Capital and Working Capital Costs

In Section VIII.1, pages 193-194, the applicant states the total capital cost is projected to be as follows:

Construction Contract	\$2,428,088
Fixed Equipment	\$560,161
Movable Equipment	\$57,000
Furniture	\$114,000
Architect & Engineering Fees	\$238,000
Financing Costs	\$25,000
Interest During Construction	\$250,000
TOTAL CAPITAL COST	\$3,672,249

Source: Table on pages 193-194 of the application.

In Section IX.1, page 199, the applicant states there will be \$140,385 in start-up expenses and \$450,340 in initial operating expenses, for a total working capital of \$590,725.

Availability of Funds

In Section VIII.3, pages 194-195, the applicant states that the project capital costs will be funded by a loan from PNC Bank. In Section IX.2, page 199, the applicant states that the working capital will also be funded by a loan from PNC Bank. In Exhibit 25, the applicant provides a letter dated June 8, 2016, from a Vice President of PNC Bank documenting its intention to fund the capital and working capital costs for the proposed project with “\$5 million secured financing.” The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

In the pro forma financial statements for SCDP of Asheville (Form B), the applicant projects that revenues will exceed operating expenses in each of the first three operating years of the project, as shown in the table below.

SCDP of Asheville

	FFY2018	FFY2019	FFY2020
Number of Cases	2,409	2,710	3,012
Total Revenue	\$3,153,707	\$3,547,772	\$3,943,031
Net Revenue Per Case	\$1,309	\$1,309	\$1,309
Total Operating Expenses	\$2,939,793	\$2,968,845	\$2,992,754
Net Income	\$213,915	\$578,927	\$950,276

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 utilization projections 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.

Conclusion

In summary, the applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project as well as operating needs. Furthermore, 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.

Valleygate proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and one procedure room in leased space in a building located on 510 Hickory Ridge Drive in Greensboro.

Capital and Working Capital Costs

In Section VIII.1, pages 192-195, the applicant states the total capital cost is projected to be as follows:

Valleygate Project Capital Cost

Construction Contract	\$1,473,440
Fixed Equipment	\$509,024
Movable Equipment	\$150,365
Furniture	\$52,507
Consultant Fees	\$390,000
Financing Costs	\$25,753
Interest During Construction	\$41,846
Contingency (20%)	\$528,588
TOTAL CAPITAL COST	\$3,171,526

Source: Table on pages 192-195 of the application.

In Section IX.1, page 200, the applicant states there will be \$64,772 in start-up expenses and \$587,409 in initial operating expenses, for total working capital required of \$652,180.

Availability of Funds

In Section VIII.3, page 196, the applicant states that the project capital costs will be funded by a loan from First Citizens Bank. In Section IX.2, page 201, the applicant states that the working capital will also be funded by a loan from First Citizens Bank. In Exhibit 33, the applicant provides a letter dated June 15, 2016, from a Senior Vice President for First Citizens Bank documenting its intention to fund up to \$5 million in capital costs and up to \$1.5 million in working capital costs for the proposed project. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

In the pro forma financial statements for Valleygate (Form B), the applicant projects that revenues will exceed operating expenses in the second and third full fiscal years of operation of the project, as shown in the table below.

Valleygate			
	FFY2018	FFY2019	FFY2020
Number of Cases	2,643	2,767	2,890
Total Net Revenues	\$2,078,564	\$2,463,905	\$2,574,058
Net Revenue Per Case	\$786	\$890	\$891
Total Operating Expenses	\$2,033,999	\$2,167,823	\$2,229,755
Net Income	\$44,565	\$296,082	\$344,302

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 utilization projections 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.

Conclusion

In summary, the applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project as well as operating needs. Furthermore, 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

- (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 – Both Applications

The 2016 SMFP includes an adjusted need determination for a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms to be located in Region 4: HSA I and II, which includes Buncombe and Guilford counties. On pages 90-91, the 2016 SMFP states:

“Dental Single Specialty Ambulatory Surgical Facility Demonstration Project

In response to petitions from Knowles, Smith & Associates and Triangle Implant Center, an adjusted need determination for a Dental Single Specialty Ambulatory Surgical Demonstration Project (Project) was approved by the State Health Coordinating Council. Locating the facilities in different regions of the state exemplifies the access and value Basic Principles by preventing a single area from having a concentration of dental OR facilities. The Project establishes a special need determination for up to four new separately licensed dental single specialty ambulatory surgical facilities with up to two operating rooms each, such that there is a need identified for one new ambulatory surgical facility in each of the four following regions:

- *Region 1: HSA IV*
- *Region 2: HSA III*
- *Region 3: HSA V and HSA VI*
- *Region 4: HSA I and HSA II”*

Therefore, the 2016 SMFP defines the Region 4 service area as HSA I and II, which includes Alamance, Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Caswell, Catawba, Cherokee, Clay, Cleveland, Davidson, Davie, Forsyth, Graham, Guilford, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Randolph, Rockingham, Rutherford, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin and Yancey counties. Providers may serve residents of counties not included in their service area.

SCDP of Asheville proposes to develop a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with two operating rooms to be located in Asheville in

Buncombe County, which is located in Region 4: HSAs I and II. The discussion regarding the requirements of the Demonstration Project need determination found in Criterion (1) is incorporated herein by reference. There are no existing or approved ambulatory surgery facilities dedicated to the performance of dental or oral surgical procedures requiring sedation anywhere in Region 4 or the state. Therefore, the applicant adequately demonstrates that the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Consequently, the application is conforming to this criterion.

Valleygate proposes to develop a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with two operating rooms to be located in Greensboro in Guilford County, which is located in Region 4: HSAs I and II. The discussion regarding the requirements of the Demonstration Project need determination found in Criterion (1) is incorporated herein by reference. There are no existing or approved ambulatory surgery facilities dedicated to the performance of dental or oral surgical procedures requiring sedation anywhere in Region 4 or the state. Therefore, the applicant adequately demonstrates that the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities. 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 – Both Applications

SCDP of Asheville. In Section VII.2, page 182, the applicant states that it will contract with Papillion Management, LLC, which will employ the staff for the proposed facility. In Section VII.2, page 183, the applicant provides the proposed staffing for the facility in operating year 2 (FFY2019), as illustrated below.

Position	Number of Full-Time Equivalent (FTE) Positions
Administrator	1.0
Registered Nurses	1.5
Physician’s Assistants	0.5
Dental Assistant I	1.5
Dental Assistant II	2.0
Office Administration	2.5
Pediatrician	1.0
Housekeeping/maintenance and technical support	1.5
TOTAL	11.5

In Section VII.3, pages 183-184, and Section VII.7, page 188, the applicant describes its experience and process for recruiting and retaining staff. Exhibit 11 contains a copy of a letter from Dr. David Kornstein expressing his interest in serving as the Medical Director for the

proposed facility. Exhibit 11 also contains a copy of Dr. Kornstein’s Curriculum Vitae. Exhibit 29 of the application contains copies of letters from area dental professionals expressing support for the proposed project. The applicant adequately demonstrates the availability of sufficient health manpower and management personal to provide the proposed services. Therefore, the application is conforming with this criterion.

Valleygate. In Section VII.2, page 182, the applicant provides the proposed staffing for the facility in operating year 2 (FFY2019), as shown in the table below.

Position	Number of Full-Time Equivalent (FTE) Positions
Administrators	2.00
Registered Nurses	2.27
Dental Assistant	1.10
Sterilization Tech	1.10
Certified Registered Nurse Anesthetists	Contracted
Non-health professionals/technical personnel	5.51
TOTAL	11.98

Source: Table VII.2, page 182.

In Section VII.3, page 183, and Section VII.7, page 189, the applicant describes its experience and process for recruiting and retaining staff. Exhibit 25 contains a copy of a letter from Sona J. Isharani, DDS, expressing her interest in serving as the Clinical Director for the proposed facility. Exhibits 18 and 21 of the application contain copies of letters from area dental and other health care professionals expressing support for the proposed project. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C – Both Applications

SCDP of Asheville. In Section II.2, pages 55-56, the applicant describes the manner in which it will provide the necessary ancillary and support services. In Section V.2, page 157, the applicant states its intention to establish a transfer agreement with Mission Hospital. Exhibit 13 contains a copy of a letter from the applicant to Mission Hospital indicating its interest in establishing a transfer agreement. Exhibits 29 and 30 contain letters of support from area dental professionals and other health care providers. The applicant adequately demonstrates that necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

Valleygate. In Section II.2, pages 36-37, the applicant describes the manner in which it will provide the necessary ancillary and support services. In Section V.2, page 148, the applicant states its intention to establish transfer agreements with Novant Health System, Cone Health, UNC High Point Regional Healthcare, and Wake Forest Baptist Health System. Exhibit 10 contains copies of letters from Wake Forest Baptist Health Lexington Medical Center, Cone Health, and UNC High Point Regional Healthcare to the applicant expressing their interest in establishing a transfer agreement with the applicant. Exhibits 26 and 42 of the application contain copies of letters from area dental professionals expressing support for the proposed project. The applicant adequately demonstrates that necessary ancillary and support services will be available 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;
 - (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.

C – Both Applications

SCDP of Asheville proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and two procedure rooms in 9,868 square feet of leased space in a new office building to be located at 170 Sweeten Creek Road in Asheville.

In Exhibit 27, the applicant provides a map of all the proposed sites. Exhibit 28 contains a letter from an architect that estimates construction costs that are consistent with the projections provided by the applicant in Section VIII.1, page 193, of the application. In Section XI.8, page 213, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. Therefore, the application is conforming to this criterion.

Valleygate proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms, one procedure room and one treatment room in 9,792 square feet of leased space in a building located at 510 Hickory Ridge Drive in Greensboro. Exhibit 31 contains a letter from an architect that estimates total construction costs that are consistent with the projections provided by the applicant in Section VIII.1, page 194, of the application. In Section XI.8, page 214, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. Therefore, the application is conforming to this criterion.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA – Both Applications

- (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;

NA – Both Applications

- (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 – Both Applications

SCDP of Asheville. In Section VI.14, page 178, the applicant projects the following payor mix for the proposed dental ASF in the second operating year (FFY2019):

Payor Category	Projected Cases as Percent of Total
Charity	4.2%
Self-Pay	12.4%
Medicaid	52.0%
Private Insurance	31.3%
Total	100.0%

On pages 178-181, the applicant discusses the assumptions used to project its patient payor categories and the percent of totals. On page 180, the applicant states:

“[T]he owners and managers of SCDP of Asheville do have experience providing dental surgery with sedation provided by anesthesiologists in an office setting, and have used this model as a starting point for some of the assumptions for the proposed ASC. ... SCDP of Asheville is supported by an incredible and expansive group of dental professionals that provided data based on their experience in other areas of the state. ... SCDP of Asheville made some assumptions without the availability of a significant amount of analogous data, but based the rationale on discussions with an extensive list of experts [list provided on pages 180-181]. ... SCDP of Asheville believes that the assumptions and methodologies presented in the application represent the most reasonable and well-supported rationale for projecting utilization, patient origin, payor mix, patient age (over/under 21) and financial results.”

The applicant demonstrated that the medically underserved population will have adequate access to the proposed services. Moreover, the projected payor mix is consistent with the requirements in Table 6D in the 2016 SMFP. Therefore, the application is conforming to this criterion.

Valleygate. In Section VI.14, page 174, the applicant projects the following payor mix for the proposed dental ASF in the second operating year (FFY2019):

Payor Category	Projected Cases as Percent of Total
Charity	3.75%
Self-Pay	1.64%
Medicaid	78.23%
Commercial	15.46%
Military	0.92%
Total	100.0%

On pages 174-180, the applicant describes its assumptions regarding its payor mix projections, which it states are based on its own historical experience, US Census data and the experience of providers who are expected to refer patients to the dental ASF. The applicant demonstrated that the medically underserved population will have adequate access to the proposed services. Moreover, the projected payor mix is consistent with the requirements in Table 6D in the 2016 SMFP. Therefore, the application is conforming to this criterion.

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

C – Both Applications

SCDP of Asheville. In Section VI.9, pages 175-176, the applicant describes the range of means by which a person will have access to the proposed dental ASF. The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to the proposed services. Therefore, the application is conforming to this criterion.

Valleygate. In Section VI.9, pages 170-171, the applicant describes the range of means by which a person will have access to the proposed dental ASF. The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to the proposed services. Therefore, the application is conforming to this criterion.

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

C – Both Applications

SCDP of Asheville. In Section V.1, pages 153-156, the applicant describes its intention to establish relationships with area health professional training programs. Exhibit 22 contains copies of letters from East Carolina University (ECU) School of Dental Medicine, UNC School of Dentistry and Mountain Area Health Education Center (MAHEC) Dentistry and

Dental Residency Program expressing support for the proposed project and their intention to establish a clinical training agreement with the applicant. Exhibit 22 also contains a letter from SCDP of Asheville to the Dean of Asheville-Buncombe Technical Community College offering the proposed facility as a training site for students in its allied dental programs. The information provided by the applicant is reasonable and credible and supports a finding of conformity to this criterion.

Valleygate. In Section V.1, pages 147-148, the applicant describes its intention to establish relationships with area health professional training programs. Exhibit 23 contains copies of letters from the applicant to area health professional training programs expressing an interest in establishing a training agreement. Exhibit 23 also contains a copy of a letter from the East Carolina University School of Dental Medicine expressing support for proposed project and their intention to establish a clinical training agreement with the applicant. The information provided 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 – Both Applications

The 2016 SMFP includes an adjusted need determination for a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms to be located in Region 4: HSAs I and II, which includes Buncombe and Guilford counties. On pages 90-91, the 2016 SMFP states:

“Dental Single Specialty Ambulatory Surgical Facility Demonstration Project

In response to petitions from Knowles, Smith & Associates and Triangle Implant Center, an adjusted need determination for a Dental Single Specialty Ambulatory Surgical Demonstration Project (Project) was approved by the State Health Coordinating Council. Locating the facilities in different regions of the state exemplifies the access and value Basic Principles by preventing a single area from having a concentration of dental OR facilities. The Project establishes a special need determination for up to four new separately licensed dental single specialty ambulatory surgical facilities with up to two operating rooms each, such that there is a need identified for one new ambulatory surgical facility in each of the four following regions:

- *Region 1: HSA IV*
- *Region 2: HSA III*
- *Region 3: HSA V and HSA VI*
- *Region 4: HSA I and HSA II*

Therefore, the 2016 SMFP defines the Region 4 service area as HSAs I and II, which includes Alamance, Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Caswell, Catawba, Cherokee, Clay, Cleveland, Davidson, Davie, Forsyth, Graham, Guilford, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Randolph, Rockingham, Rutherford, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin and Yancey counties. Providers may serve residents of counties not included in their service area.

SCDP of Asheville proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and two procedure rooms in Asheville. In Section III.1, pages 91-100, the applicant discusses how any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services. The applicant states:

“The development of SCDP of Asheville as proposed is needed to enhance the quality of care, access to, and value of such surgical services for the residents of Region 4 as described ...

Expertise and training is a fundamental cornerstone of the proposed delivery model at SCDP of Asheville. As evidenced by the credentialing policy included in Exhibit 18, all professionals practicing at SCDP of Asheville, including dentists, oral and maxillofacial surgeons, dental specialists, anesthesiologists, and dental assistants, will be required to adhere to strict credentialing guidelines with oversight from an external Credentialing Committee. ... This is to ensure that quality care is always provided to the patients utilizing services at the facility.” [pages 91-93]

“The proposed model will allow a broader range of qualified dental professionals to access much needed surgical services for their patients in a timely manner.” [page 94]

“The proposed project will enhance access to dental care for historically underserved patients, including charity care and Medicaid patients whose general dentist has historically struggled to obtain access to existing operating rooms.” [page 98]

“Further, by proposing to perform cases requiring sedation or anesthesia in a licensed facility, SCDP of Asheville is expanding access to patients whose insurance may not have historically covered the cost of these services.” [page 97]

“The proposed project will also enhance the cost-effectiveness of dental and oral surgical procedures. Pediatric dentists and oral and maxillofacial surgeons who may have previously performed their cases in a hospital-based operating room will have a more appropriate and cost-effective setting in which to provide care. As a freestanding ASC, SCDP of Asheville will be able to provide care at a lower cost than hospital-based

operating rooms. Further, SCDP of Asheville will not have any hospital-based expenses allocated to surgery services; the only expenses are those generated directly by the services provided by SCDP of Asheville. As a result, patients and payors will not incur the charges associated with hospital-based care resulting in significantly lower co-payments, and will have more timely access and quality care.” [page 100]

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 adequately demonstrates that any enhanced competition in the service area includes a positive impact on the 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 for the project 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 it will provide quality services. The discussion regarding quality found in Criterion (1) is incorporated herein by reference.
- The applicant demonstrates it will provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (1), (3) and (13) are incorporated herein by reference.

Therefore, the application is conforming to this criterion.

Valleygate proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and one procedure room in Greensboro. In Section V.7, pages 158-161, the applicant discusses how any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services. The applicant states:

“The project will offer competition by providing a new clinical concept. Existing operating rooms will still be able to compete with the Valleygate Dental Surgery Center of the Triad, but the dental ASF will require others to compete in both cost and quality. It will create a better option for pediatric dental surgery and expand access for dental treatments for adults in a safe, efficient environment.”

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 adequately demonstrates that any enhanced competition in the service area includes a positive impact on the 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 for the project and that it is a cost-effective alternative. The discussions regarding the analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates it will provide quality services. The discussion regarding quality found in Criterion (1) is incorporated herein by reference.
- The applicant demonstrates that it will provide adequate access to medically underserved populations. The discussion regarding access found in Criteria (1), (3) and (13) is incorporated herein by reference.

Therefore, 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.

NA – Both Applications

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA – Both Applications

COMPARATIVE ANALYSIS

Pursuant to N.C. Gen. Stat. § 131E-183(a)(1) and the 2016 State Medical Facilities Plan, no more than one Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms to be located in Region 4 (HSAs I and II) may be approved in this review. Because the two applications in this review collectively propose two Dental Single Specialty Ambulatory Surgical Facility Demonstration Projects with a total of four operating rooms to be located in Region 4, only one of the applications can be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved. For the reasons set forth below and in the rest of the findings, the application submitted by Valleygate Dental Surgery Center of The West, LLC, Project I.D. # G-11203-16, is approved and the other application, submitted by SCDP of Asheville, is denied.

Geographic Accessibility

Region 4: HSAs I and II covers 37 counties: SCDP of Asheville proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and two procedure rooms in Asheville. Valleygate proposes to develop a dental and oral surgery ambulatory surgery facility with two operating rooms and one procedure room in Greensboro. The following table compares the two cities and the two counties.

Population	Buncombe County	Guilford County	Asheville	Greensboro
<18	38,614	115,511	na	na
18-64	116,000	326,424	na	na
65+	19,810	70,338	na	na
Total	251,275	512,273	87,436	208,373

Source: NCOBM for July 2014

As shown in the table above, as of July 2014, Guilford County had 260,998 more residents than Buncombe County and Greensboro had 120,937 more residents than Asheville. Therefore, the application submitted by Valleygate is the more effective with regard to geographic accessibility to the largest population.

Access by Underserved Groups

The following table shows each applicant's projected cases to be provided to Charity Care and Medicaid recipients in the third full fiscal year of operation following completion of the project, based on the information provided in the applicants' pro forma financial statements (Form D). Generally, the application proposing to serve the higher numbers of Charity Care and Medicaid patients is the more effective alternative with regard to access by underserved groups.

CHARITY CARE CASES OPERATING YEAR 3	Projected Total Cases Provided to Charity Care Recipients	Projected Percentage of Total Cases Provided to Charity Care Recipients
APPLICANT		
SCDP of Asheville	127	4.2%
Valleygate	108	3.7%

MEDICAID CASES OPERATING YEAR 3	Projected Total Cases Provided to Medicaid Recipients	Projected Percentage of Total Cases Provided to Medicaid Recipients
APPLICANT		
SCDP of Asheville	1,566	52.0%
Valleygate	2,261	78.2%

Source: SCDP of Asheville cases by payor category are from Form D, page 221 of the application. Valleygate projected cases by payor category are from Form D, pages 222, 225, and 228 of the application.

As shown in the tables above, SCDP of Asheville projects the highest number of cases to be provided to Charity Care. SCDP of Asheville projects to serve 19 more charity cases than Valleygate. However, Valleygate projects the highest number of cases to be provided to Medicaid recipients. Valleygate projects to serve 695 more Medicaid recipient cases. Therefore, the application submitted by Valleygate is the more effective alternative with regard to access by Medicaid recipients and the application submitted by SCDP of Asheville is the more effective alternative with regard to providing charity care.

Projected Average Gross Revenue per Case

The following table shows the projected average gross revenue per case in the third year of operation for each of the applicants, based on the information provided in the applicants' pro forma financial statements (Form B). Generally, the application proposing the lowest average gross revenue per case is the more effective alternative with regard to this comparative factor.

Third Operating Year	SCDP of Asheville	Valleygate
Gross Revenue	\$5,897,165	\$4,864,623
Cases	3,012	2,890
Average Gross Revenue/Case	\$1,958	\$1,684

Source: SCDP of Asheville projected gross revenues and cases are from Form B, page 218 of the application. Valleygate projected gross revenues and cases are from Form B, page 220.

As shown in the table above, Valleygate projects the lowest average gross revenue per case in the third operating year. The application submitted by Valleygate is the more effective alternative with regard to projected average gross revenue per case.

Projected Average Net Revenue per Case

The following table shows the projected average net revenue per case in the third year of operation for each of the applicants, based on the information provided in the applicants’ pro forma financial statements (Form B). Generally, the application proposing the lowest average net revenue per case is the more effective alternative with regard to this comparative factor.

Third Operating Year	SCDP of Asheville	Valleygate
Net Revenue	\$3,943,031	\$2,574,058
Cases	3,012	2,890
Average Net Revenue/Case	\$1,309	\$891

Source: SCDP of Asheville projected net revenues and cases are from Form B, page 218 of the application. Valleygate projected net revenues and cases are from Form B, page 220.

As shown in the table above, Valleygate projects the lowest average net revenue per case in the third operating year. The application submitted by Valleygate is the more effective alternative with regard to projected average net revenue per case.

Projected Average Operating Expense per Case

The following table shows the projected average operating expense per case in the third year of operation for each of the applicants, based on the information provided in the applicants’ pro forma financial statements (Form B). Generally, the application proposing the lowest average operating expense per case is the more effective alternative with regard to this comparative factor.

Third Operating Year	SCDP of Asheville	Valleygate
Total Operating Expenses	\$2,992,754	\$2,229,755
Cases	3,012	2,890
Average Operating Expense/Case	\$994	\$772

Source: SCDP of Asheville projected operating expenses and cases are from Form B, page 218 of the application. Valleygate projected operating expenses are from Form B, page 220.

As shown in the table above, Valleygate projects the lowest average operating expense per case in the third operating year. The application submitted by Valleygate is the more effective alternative with regard to projected average operating expense per case.

SUMMARY

The following is a summary of the reasons the proposal submitted by Valleygate is determined to be the more effective alternative in this review:

- Valleygate proposes a more effective alternative with respect to geographic accessibility.
- Valleygate projects a higher number of cases to be provided to Medicaid recipients. See Comparative Analysis for discussion.
- Valleygate projects a lower average gross revenue per case in the third operating year. See Comparative Analysis for discussion.
- Valleygate projects a lower average net revenue per case procedure in the third operating year. See Comparative Analysis for discussion.
- Valleygate projects a lower average operating expense per case in the third operating year. See Comparative Analysis for discussion.

The following is a summary of the reasons the proposal submitted by SCDP of Asheville is determined to be a less effective alternative in this review than the approved applicant.

- SCDP of Asheville proposes a less effective alternative with regard to geographic accessibility.
- SCDP of Asheville projects a lower number of cases to be provided to Medicaid recipients. See Comparative Analysis for discussion.
- SCDP of Asheville projects a higher average gross revenue per case in the third operating year. See Comparative Analysis for discussion.
- SCDP of Asheville projects a higher average net revenue per case in the third operating year. See Comparative Analysis for discussion.
- SCDP of Asheville projects a higher average operating expense per case in the third operating year. See Comparative Analysis for discussion.

CONCLUSION

The Agency determined that the application submitted by Valleygate, Project I.D. #G-11203-16, is the more effective alternative proposed in this review for the Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with up to two operating rooms to be located in Region 4 (HSAs I and II) and is approved. The approval of the application submitted by SCDP of Asheville would result in Dental Single Specialty Ambulatory Surgical Facility Demonstration Projects in excess of the need determination for Region 4. Consequently, the application submitted by SCDP of Asheville is denied.

The application submitted by Valleygate is approved subject to the following conditions.

- 1. Valleygate Dental Surgery Center of The West, LLC shall materially comply with all representations made in the certificate of need application.**

- 2. Valleygate Dental Surgery Center of The West, LLC shall develop a Dental Single Specialty Ambulatory Surgical Facility Demonstration Project with no more than two operating rooms and one procedure room.**
- 3. Valleygate Dental Surgery Center of The West, LLC shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditures in Section VIII of the application and that would otherwise require a certificate of need.**
- 4. Valleygate Dental Surgery Center of The West, LLC shall comply with all applicable criteria in Table 6D in the 2016 State Medical Facilities Plan.**
- 5. Valleygate Dental Surgery Center of The West, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**