

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: December 17, 2021

Findings Date: December 17, 2021

Project Analyst: Julie M. Faenza

Co-signer: Lisa Pittman

Project ID #: F-12116-21

Facility: Atrium Health Cabarrus

FID #: 943049

County: Cabarrus

Applicant: The Charlotte-Mecklenburg Hospital Authority

Project: Develop no more than 22 acute care beds pursuant to the need determination in the 2021 SMFP for a total of no more than 469 acute care beds upon project completion

### REVIEW CRITERIA

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

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

C

The Charlotte-Mecklenburg Hospital Authority (hereinafter “CMHA,” “Atrium,” or “the applicant”) proposes to add 22 acute care beds to Atrium Health Cabarrus (“AH Cabarrus”), an existing acute care hospital with 447 acute care beds, for a total of 469 acute care beds upon project completion.

#### **Need Determination**

Chapter 5 of the 2021 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Application of the need methodology in the 2021 SMFP identified a need for 22 additional acute care beds in the Cabarrus County service area.

Only qualified applicants can be approved to develop new acute care beds. On page 34, the 2021 SMFP states:

*“A qualified applicant is a person who proposes to operate the additional acute care beds in a hospital that will provide:*

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients, and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the following major diagnostic categories (MDC) recognized by the Centers for Medicare & Medicaid services (CMS) listed below... [listed on pages 34-35 of the 2021 SFMP].”*

The applicant does not propose to develop more acute care beds than are determined to be needed in Cabarrus County. In Section B, page 24, the applicant adequately demonstrates that it meets the requirements of a “qualified applicant” as defined in Chapter 5 of the 2021 SMFP.

### **Policies**

There are three policies in the 2021 SMFP which are applicable to this review.

*Policy AC-5: Replacement of Acute Care Bed Capacity*, on page 20 of the 2021 SMFP, states:

*“Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care beds in the applicant’s hospital in relation to utilization targets found below. For hospitals **not** designated by the Centers for Medicare & Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed days of care shall be counted. For hospitals designated by the Centers for Medicare & Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed days of care **and** swing bed days (i.e., nursing home facility days of care) shall be counted in determining utilization of acute care beds. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application. Additionally, if the hospital is a Critical Access Hospital and swing bed days are proposed to be counted in determining utilization of acute care beds, the hospital shall also propose to remain a Critical Access Hospital and must demonstrate the need for maintaining the swing bed capacity proposed within the application. If the Critical Access Hospital does not propose to remain a Critical Access Hospital, only acute care bed days of care shall be counted in determining utilization of acute care beds and the hospital must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application.*

<b>Facility Average Daily Census</b>	<b>Target Occupancy of Licensed Acute Care Beds</b>
<i>1 – 99</i>	<i>66.7%</i>
<i>100 – 200</i>	<i>71.4%</i>
<i>Greater than 200</i>	<i>75.2%”</i>

Policy AC-5 is applicable to this review because in addition to proposing to develop 22 new acute care beds, the applicant proposes to construct new space for eight existing acute care beds. In Section Q, the applicant projects acute care bed days of care at AH Cabarrus for the first three full fiscal years following project completion. The applicant’s projections from Section Q, along with the average daily census (ADC) and occupancy rate, are shown in the table below.

<b>AH Cabarrus Projected Utilization – FYs 1-3 (CYs 2025-2027)</b>			
	<b>FY 1 (CY 2025)</b>	<b>FY 2 (CY 2026)</b>	<b>FY 3 (CY 2027)</b>
# of Beds	469	469	469
# of Discharges	27,956	28,585	29,229
# of Patient Days	126,134	128,973	131,875
ADC*	346	353	361
Occupancy Rate**	73.7%	75.3%	77.0%

\*Average Daily Census = Total Patient Days / 365 days per year

\*\*Occupancy % = ADC / # beds

As shown in the table above, AH Cabarrus will have an ADC of greater than 200 and will exceed the applicable utilization target of 75.2 percent in the third full fiscal year following project completion.

*Policy GEN-3: Basic Principles*, on page 29 of the 2021 SMFP, 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.”*

In Section B, pages 27-30, the applicant explains why it believes its application is consistent with Policy GEN-3. On pages 29-30, the applicant states:

*“The utilization projected in the application, particularly in Section Q, Form C Assumptions and Methodology will incorporate concepts of safety, quality, access, and maximum value by expanding Atrium Health Cabarrus’s [sic] ability to continue demonstrating these concepts in the services it provides. The increased number of*

*patients served, including the medically underserved, will have access to the safe, high quality acute care services provided at Atrium Health Cabarrus, and the proposed project will be developed in such a way as to maximize healthcare value.”*

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 29 of the 2021 SMFP, 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.”*

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 30-31, the applicant describes the project’s plan to improve energy efficiency and conserve water. On page 31, the applicant states it was named a 2020 Energy Star Partner of the Year by the Environmental Protection Agency for the third year in a row. The applicant states that in the last 10 years, only seven other hospitals or healthcare systems have received this award and only one other hospital or healthcare system has received this award three years in a row.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on the following:

- The applicant does not propose to develop more acute care beds than are determined to be needed in Cabarrus County and meets the requirements of a “qualified applicant” as defined in Chapter 5 of the 2021 SMFP.
  - The applicant adequately demonstrates that the proposal is consistent with Policy AC-5 because the applicant demonstrates the need to maintain the acute care bed capacity proposed within the application based on the applicant reasonably projecting to have a utilization rate of 77 percent by the end of the third full fiscal year following project completion.
  - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
    - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in Cabarrus County.
    - The applicant adequately documents how the project will promote equitable access to acute care bed services in Cabarrus County.
    - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
  - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.
- (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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

## C

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

In Section C, pages 32-33, the applicant describes the scope of the proposed project. The applicant proposes to build an additional (fifth) floor on top of its newly constructed Heart and Vascular tower to house the 22 new acute care beds as well as the eight existing acute care beds to be relocated from the main hospital building. The applicant states these eight acute care beds are currently located in an isolated setting which makes them difficult to use, and that relocating them to the fifth floor of the Heart and Vascular tower with the 22 new acute care

beds will allow more efficient use of the beds. The applicant plans to convert the space vacated by the eight existing acute care beds into office space.

**Patient Origin**

On page 31, the 2021 SMFP defines the service area for acute care beds as “... *the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 36, shows Cabarrus County as its own acute care bed service area. Thus, the service area for this facility is Cabarrus County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

<b>AH Cabarrus Current &amp; Projected Patient Origin – Acute Care Beds</b>								
<b>County</b>	<b>Last FY (CY 2020)</b>		<b>FY 1 (CY 2025)</b>		<b>FY 2 (CY 2026)</b>		<b>FY 3 (CY 2027)</b>	
	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>
Cabarrus	14,366	57.4%	16,057	57.4%	16,418	57.4%	16,788	57.4%
Rowan	3,148	12.6%	3,519	12.6%	3,598	12.6%	3,679	12.6%
Stanly	2,681	10.7%	2,997	10.7%	3,064	10.7%	3,133	10.7%
Mecklenburg	2,516	10.1%	2,812	10.1%	2,875	10.1%	2,940	10.1%
Iredell	398	1.6%	445	1.6%	455	1.6%	465	1.6%
Other Counties*	1,903	7.6%	2,127	7.6%	2,175	7.6%	2,224	7.6%
<b>Total</b>	<b>25,012</b>	<b>100.0%</b>	<b>27,956</b>	<b>100.0%</b>	<b>28,585</b>	<b>100.0%</b>	<b>29,229</b>	<b>100.0%</b>

Source: Section C, pages 34 and 36

\*Other: Alamance, Alexander, Alleghany, Anson, Ashe, Avery, Bladen, Brunswick, Buncombe, Burke, Caldwell, Catawba, Chowan, Cleveland, Columbus, Cumberland, Davidson, Davie, Duplin, Durham, Edgecombe, Forsyth, Franklin, Gaston, Greene, Guilford, Halifax, Harnett, Haywood, Henderson, Jackson, Johnston, Lenoir, Lincoln, Madison, Martin, Mitchell, Montgomery, Moore, Nash, New Hanover, Orange, Pitt, Polk, Randolph, Richmond, Robeson, Rockingham, Rutherford, Scotland, Stokes, Surry, Swain, Union, Wake, Watauga, Wilkes, Wilson, Yadkin, and Yancey counties in North Carolina as well as other states.

In Section C, page 36, the applicant provides the assumptions and methodology used to project patient origin. The applicant states projected patient origin is based on its historical patient origin from CY 2020. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant based its projected patient origin on its historical patient origin.
- The applicant states it does not expect any changes to patient origin for acute care beds due to the addition of 22 acute care beds.

**Analysis of Need**

In Section C, pages 39-42, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states that, based on data from the North Carolina Office of State Budget and Management (NC OSBM), Cabarrus County is the third-fastest growing county in North Carolina, with a Compound Annual Growth Rate (CAGR) of two percent and a 21.6

percent total growth rate between 2011 and 2021. The applicant states that, according to NC OSBM, North Carolina had a statewide population CAGR of one percent and a 10.4 percent total growth rate between 2011 and 2021.

The applicant further states that NC OSBM projects Cabarrus County's population to grow 11.7 percent between 2021 and 2027, the third full fiscal year following project completion, while North Carolina statewide population is projected to grow 6.4 percent between 2021 and 2027.

- The applicant states that, based on data from NC OSBM, Cabarrus County has the fourth-fastest growth rate of all counties in North Carolina for people age 65 and older between 2021 and 2027 and that growth rate is projected to be five times faster than North Carolina's statewide growth rate for people age 65 and older during the same time period. The applicant states NC OSBM data projects Cabarrus County's population age 65 and older will grow 27 percent between 2021 and 2027 and that by 2027 16.1 percent of Cabarrus County residents will be age 65 and older. The applicant states that this population growth, especially among people age 65 and older, results in more need for acute care bed services because, generally, older residents utilize healthcare services more often than younger residents.
- The applicant states days of care have grown at a 2.3 percent CAGR between 2018 and 2020 and would have a 5.3 percent CAGR based on growth from 2018 to 2021 annualized. The applicant states AH Cabarrus is a referral center for Atrium Health Mecklenburg hospitals adjacent to Cabarrus County. The applicant states AH Cabarrus is the only acute care hospital in Cabarrus County and thus it is necessary for AH Cabarrus to maintain enough acute care bed capacity for patients in the area.
- The applicant states the eight existing acute care beds proposed to be moved from the main hospital building to the fifth floor of the patient tower are currently located in an isolated location away from other acute care beds, which creates complications for staffing and makes it inefficient to provide ancillary services due to the isolated location. The applicant states relocating the eight existing acute care beds as part of this project will promote operational efficiencies.

The information is reasonable and adequately supported for the following reasons:

- The applicant uses verifiable historical data from AH Cabarrus to support its belief that it needs additional acute care bed capacity at AH Cabarrus.
- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth in the area and the projected growth of the population age 65 and older in the area.
- In Section C.1, the applicant provides line drawings of the current and proposed setup of the eight existing acute care beds it proposes to relocate. Those line drawings support the applicant's statement about the location of the eight existing acute care beds and the need to relocate them for operational efficiency.

***Projected Utilization***

On Form C in Section Q, the applicant provides historical and projected utilization, as illustrated in the following table.

<b>AH Cabarrus Acute Care Bed Projected Utilization</b>				
	<b>Historical</b>	<b>Projected</b>		
	<b>CY 2020</b>	<b>FY 1 – CY 2025</b>	<b>FY 2 – CY 2026</b>	<b>FY 3 – CY 2027</b>
# of Beds	447	469	469	469
# of Discharges	25,012	27,956	28,585	29,229
# of Acute Care Days	112,851	126,134	128,973	131,875
ALOS*	4.5	4.5	4.5	4.5
Occupancy Rate	69.2%	73.7%	75.3%	77.0%

\*ALOS = Average Length of Stay (in days)

In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant states it began projections with CY 2020 data, despite the negative impact on growth due to the COVID-19 pandemic and used the CY 2018-2020 CAGR of 2.3 percent to project growth of patient days. The applicant states that by using CY 2020 actual data and using the 2.3 percent CAGR for CY 2018-2020 rather than the 5.3 percent CAGR for CY 2018-2021 annualized, it is using conservative projections because CY 2021 annualized shows significant growth.

The applicant states it annualized CY 2021 data by using actual data from January through May of 2021 and projecting the remainder of CY 2021 utilization by comparing the monthly percentage of patient days from January through May of 2019. The applicant states it believes this to be a more accurate representation of the data.

It is not clear whether the CY 2021 annualized projections are a valid basis for determining whether the applicant’s projected growth rate is conservative. January and February 2021 were the peak of the hospitalizations in North Carolina due to the COVID-19 pandemic. That may result in a higher number of patient days due to the available data at the time this application was prepared. Alternatively, the CY 2021 annualized projections may turn out to be lower than the actual number of patient days, as North Carolina experienced a second surge of hospitalizations due to the COVID-19 pandemic between the end of July and beginning of October. It is also not clear whether CY 2021 patient days, actual or annualized, will be representative of future years, much like how CY 2020 patient days are not representative of future years, because of profound impacts due to the COVID-19 pandemic.

However, the Project Analyst reviewed publicly available data from the 2018-2021 SMFPs. While the data in the SMFP is based on a federal fiscal year and the applicant’s data is based on a calendar year, they are both reasonable ways to ascertain whether historical growth supports the projected growth rate. According to publicly available data

in the 2018-2021 SMFPs, AH Cabarrus patient days grew at a three-year CAGR of 5.17 percent. The projected growth rate used by the applicant is less than half of the CAGR based on the data in the 2018-2021 SMFPs.

- The applicant assumed the Average Length of Stay (ALOS) of 4.5 days for CY 2020 will remain constant through the third full fiscal year following project completion and used the ALOS of 4.5 days to calculate projected discharges.

The table below summarizes the assumptions and methodology used to project acute care bed utilization at AH Cabarrus.

<b>AH Cabarrus Acute Care Bed Projected Utilization</b>							
	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>	<b>CY 2024</b>	<b>CY 2025</b>	<b>CY 2026</b>	<b>CY 2027</b>
Projected Acute Care Days (2.3% CAGR)	115,391	117,988	120,643	123,358	126,134	128,973	131,875
Beds	447	447	447	447	469	469	469
Average Daily Census (ADC)*	316	323	331	338	346	353	361
Occupancy %**	70.7%	72.3%	73.9%	75.6%	73.7%	75.3%	77.0%
Discharges (based on ALOS of 4.5 days)	25,575	26,150	26,739	27,341	27,956	28,585	29,229

**Source:** Section Q, Form C Assumptions and Methodology

\*Average Daily Census = Total Patient Days / 365 days per year

\*\*Occupancy % = ADC / # beds

Projected utilization is reasonable and adequately supported based on the following:

- The applicant relies on its own historical growth rate to project future growth.
- The applicant begins projections based on CY 2020 data, which is most likely an outlier year with underutilization based on the impact of the COVID-19 pandemic.
- The applicant uses a growth rate that is less than half of the three-year CAGR for patient days based on publicly available data in the 2018-2021 SMFPs.

**Access to Medically Underserved Groups**

In Section C, page 49, the applicant states:

*“Atrium Health Cabarrus provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment. ... CMHA will continue to serve this population as dictated by the mission of CMHA, which is the foundation for every action taken. The mission is simple, but unique: ‘To improve health, elevate hope, and advance healing – for all.’ This includes the medically underserved.”*

The applicant provides the estimated percentage of total patients for each medically underserved group during the third full fiscal year, as shown in the following table.

<b>Medically Underserved Groups</b>	<b>Estimated % of Total Patients in FY 3</b>
Low income persons	--
Racial and ethnic minorities	18.7%
Women	62.3%
Persons with disabilities	--
Persons 65 and older	34.7%
Medicare beneficiaries	41.8%
Medicaid recipients	14.0%

**Source:** Section C, page 50

In Section C, page 50, the applicant states that it does not maintain data on the number of low income persons and disabled persons it serves and cannot reasonably estimate what percentage of total patients they will be; however, the applicant also states neither low income persons nor disabled persons are denied access to services.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant provides a statement saying it will provide service to all residents of the service area, including underserved groups, without regard for anything other than the need for acute care bed services.
- The applicant provides documentation of its existing policies regarding non-discrimination and financial access in Exhibits B.20-4 and L.4-1.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (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, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

NA

The applicant does not propose to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

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

CA

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

In Section E, pages 60-61, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo: the applicant states maintaining the status quo would not be responsive to overall population growth, growth of the population age 65 and older, and growth in utilization at the only acute care hospital in Cabarrus County; therefore, this was not an effective alternative.
- Develop the New Beds in Existing Space at AH Cabarrus: the applicant states existing available space at AH Cabarrus is old and not up to current code requirements for acute care beds and the cost to renovate those spaces would be as great or greater than the capital cost for this proposal. Renovating those spaces also would not allow for the relocation of the eight existing acute care beds. The applicant further states renovations to upfit existing space for some of the acute care beds would be disruptive to current operations, would result in fewer bed spaces than currently exist, and the development of the patient tower also allows for the relocation of the eight existing beds; therefore, this was not an effective alternative.
- Develop a Different Number of Beds: the applicant states that developing fewer acute care beds would not meet the need for additional capacity, and it is important that AH Cabarrus, as the only acute care hospital in Cabarrus County, maintains capacity to meet the needs of patients; therefore, this was not an effective alternative.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. The Charlotte-Mecklenburg Hospital Authority (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop no more than 22 new acute care beds and relocate no more than eight existing acute care beds to a fifth floor to be constructed in the existing Heart and Vascular Tower at Atrium Health Cabarrus.**
- 3. Upon completion of the project, Atrium Health Cabarrus shall be licensed for no more than 469 acute care beds.**
- 4. Progress Reports:**
  - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
  - b. The certificate holder shall complete all sections of the Progress Report form.**
  - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
  - d. Progress reports shall be due on the first day of every third month. The first progress report shall be due on May 1, 2022. The second progress report shall be due on August 1, 2022 and so forth.**
- 5. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**

6. **No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. **Payor mix for the services authorized in this certificate of need.**
    - b. **Utilization of the services authorized in this certificate of need.**
    - c. **Revenues and operating costs for the services authorized in this certificate of need.**
    - d. **Average gross revenue per unit of service.**
    - e. **Average net revenue per unit of service.**
    - f. **Average operating cost per unit of service.**
  7. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

**Capital and Working Capital Costs**

On Form F.1a in Section Q, the applicant projects the total capital cost of the project as shown in the table below.

Construction Costs	\$35,252,500
Architect/Engineering Fees	\$2,567,000
Medical Equipment	\$2,299,000
Non-Medical Equipment/Furniture	\$1,002,250
Consultant Fees	\$150,000
Financing Costs	\$205,488
Interest During Construction	\$1,833,474
Other (Security, Info Systems, Internal allocation)	\$3,304,250
<b>Total</b>	<b>\$46,613,962</b>

The applicant provides its assumptions and methodology for projecting capital cost immediately following Form F.1a in Section Q. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant provides assumptions about costs included in the calculation of each line item in the projected capital cost.
- The applicant states much of the projections are based on the applicant's history or the project architect's history in developing similar projects.
- In Exhibit F.1, the applicant provides a letter dated July 14, 2021 from a registered architect stating the construction costs listed (which match those listed in Form F.1a) are accurate.

In Section F, pages 64-65, the applicant states that there are no projected start-up expenses or initial operating expenses because the project does not involve a new service. This information is reasonable and adequately supported because AH Cabarrus is an existing hospital and will continue to operate during and after development of the proposed project.

### **Availability of Funds**

In Section F, page 62, the applicant states the entire projected capital expenditure of \$46,613,962 will be funded with Atrium's accumulated reserves.

In Exhibit F.2-1, the applicant provides a letter dated August 16, 2021 from the Executive Vice President and Chief Financial Officer for Atrium Health, stating that Atrium has sufficient accumulated reserves to fund the projected capital cost and committing to providing that funding to develop the proposed project.

Exhibit F.2-2 contains a copy of Atrium's Basic Financial Statements and Other Financial Information for the year ending December 31, 2020. According to the Basic Financial Statements, as of December 31, 2020, Atrium had adequate cash and assets to fund all the capital needs of the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the following:

- The applicant provides a letter from the appropriate Atrium official confirming the availability of the funding proposed for the capital needs of the project and the commitment to use those funds to develop the proposed project.
- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital needs of the project.

### **Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. On Form F.2b in Section Q, the applicant projects revenues will exceed operating expenses in each of the first three full fiscal years following project completion, as shown in the table below.

<b>Revenues and Operating Expenses – AH Cabarrus Acute Care Beds</b>			
	<b>FY 1 (CY 2025)</b>	<b>FY 2 (CY 2026)</b>	<b>FY 3 (CY 2027)</b>
Total Discharges	27,956	28,585	29,229
Total Gross Revenues (Charges)	\$459,965,112	\$484,426,218	\$510,188,173
Total Net Revenue	\$112,917,986	\$118,923,004	\$125,247,370
Total Net Revenue per Discharge	\$4,039	\$4,160	\$4,285
Total Operating Expenses (Costs)	\$111,973,135	\$117,330,033	\$122,960,814
Total Operating Expenses per Discharge	\$4,005	\$4,105	\$4,207
<b>Net Profit/(Loss)</b>	<b>\$944,851</b>	<b>\$1,592,970</b>	<b>\$2,286,557</b>

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Form F.3b in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of data used to project revenues and expenses.
- The applicant bases projections on its own historical experience.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital cost is based on reasonable and adequately supported assumptions for all the reasons described above.
  - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
  - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

On page 31, the 2021 SMFP defines the service area for acute care beds as “... *the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 36, shows Cabarrus County as its own acute care bed service area. Thus, the service area for this facility is Cabarrus County. Facilities may also serve residents of counties not included in their service area.

Table 5A on page 37 of the 2021 SMFP shows that AH Cabarrus is the only facility in Cabarrus County with acute care beds.

In Section G, page 73, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in Cabarrus County. On page 73, the applicant states:

*“The 2021 SMFP includes a need determination for 22 additional acute care beds in Cabarrus County. ..., Cabarrus County is projected to be the fourth fastest growing county in North Carolina between 2021 and 2027, the third full year of operation of the proposed project. Currently, Atrium Health Cabarrus is the only existing and approved provider of acute care hospital services in Cabarrus County; thus, it is imperative that Atrium Health Cabarrus have sufficient capacity to meet the growing demand for inpatient services. Given the need determination in the 2021 SMFP and the utilization of Atrium Health Cabarrus’s existing acute care services ..., the proposed project will not result in any unnecessary duplication.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following:

- There is a need determination in the 2021 SMFP for the proposed acute care beds.
- The applicant is the only provider of acute care hospital services in Cabarrus County.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (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

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

On Form H in Section Q, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

<b>AH Cabarrus Acute Care Beds Current &amp; Projected Staffing</b>				
<b>Position</b>	<b>Current</b>	<b>Projected – FYs 1-3</b>		
	<b>12/31/2020</b>	<b>CY 2025</b>	<b>CY 2026</b>	<b>CY 2027</b>
Registered Nurses	493.8	551.9	564.3	577.0
Aides & Attendants	3.7	4.2	4.3	4.3
Supervisory	11.7	11.7	11.7	11.7
Registered Technician	2.2	2.4	2.5	2.5
Technician	165.4	184.9	189.1	193.3
Clerical & Secretarial	1.7	1.7	1.7	1.7
Unit Secretary	3.0	3.0	3.0	3.0
Temporary Help	40.7	40.7	40.7	40.7
<b>Total Staffing</b>	<b>722.2</b>	<b>800.5</b>	<b>817.3</b>	<b>834.4</b>

The assumptions and methodology used to project staffing are provided on Form H Assumptions immediately following Form H in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted on Form F.3b in Section Q. In Section H, pages 75-76, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and will use that experience for the proposed project.
- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.
- The applicant’s projections for FTEs are based on its own historical experience.
- The applicant accounts for projected salaries and other costs of employment for FTEs in its projected operating expenses found on Form F.3b in Section Q.

- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons described above.

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

C

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

### **Ancillary and Support Services**

In Section I, page 77, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, page 77, the applicant explains how each ancillary and support service is made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is currently providing the necessary ancillary and support services at the same facility where it proposes to develop the additional acute care beds.
- In Exhibit I.1, the applicant provides a letter from a facility executive at AH Cabarrus, attesting to the existence of the necessary ancillary and support services and committing to continue to provide the necessary ancillary and support services for the proposed project.

### **Coordination**

In Section I, page 78, the applicant describes AH Cabarrus' existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit 1.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is the only acute care hospital in Cabarrus County and thus has established many relationships with area healthcare providers.
- The applicant provides letters of support from local physicians and healthcare providers documenting their support for Atrium.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

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

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (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

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

In Section K, page 81, the applicant states that the project involves constructing 28,426 square feet of new space. Line drawings are provided in Exhibit C.1.

In Section K, pages 81-82, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states developing the proposed acute care beds in newly constructed space is more cost-effective, less disruptive, and provides a better design option for the relocation of existing acute care beds than other alternatives.
- The applicant states developing the project as proposed will promote operational efficiencies, the most efficient circulation and throughput for patients and caregivers, and will allow for design of spaces using best practices.

On page 82, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states conservative fiscal management has allowed Atrium to set aside past excess revenues to pay for the proposed project without necessitating an increase in costs or charges.
- The applicant states AH Cabarrus' association with the larger Atrium Health system allows for cost saving measures due to large economies of scale which will result in cost containment and efficient utilization of resources.

In Section B, pages 30-31, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (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 ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L, page 85, the applicant provides the historical payor mix during CY 2020 for patients at AH Cabarrus, as shown in the table below.

<b>AH Cabarrus Historical Payor Mix – CY 2020</b>	
<b>Payor Category</b>	<b>% of Patients Served</b>
Self-Pay	8.6%
Medicare*	41.8%
Medicaid*	14.0%
Insurance*	33.0%
Workers Compensation	0.4%
Other**	2.1%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

\*\*Includes TRICARE.

**Source:** Atrium Health internal data

**Note:** The applicant states charity care is provided to patients in any payor category and that its internal data does not include charity care as a payor source.

In Section L, page 86, the applicant provides the following comparison.

AH Cabarrus	Percentage of Total Patients Served During CY 2020	Percentage of the Population of Cabarrus County
Female	62.3%	51.2%
Male	37.6%	48.8%
Unknown	0.1%	0.0%
64 and Younger	65.2%	86.6%
65 and Older	34.7%	13.4%
American Indian	0.3%	0.7%
Asian	0.5%	4.7%
Black or African-American	16.6%	19.6%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	53.9%	72.4%
Other Race	0.0%	2.5%
Declined / Unavailable	28.6%	0.0%

Source: Atrium Health internal data

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents 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. Therefore, the application is conforming to this criterion.

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

### C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 87, the applicant states it has no such obligation.

In Section L, page 88, the applicant states that no patient civil rights access complaints have been filed against AH Cabarrus or other affiliated entity during the 18 months immediately prior to submission of the application.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section L, page 88, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

<b>AH Cabarrus Projected Payor Mix – CY 2027</b>	
<b>Payor Category</b>	<b>% of Patients Served</b>
Self-Pay	8.6%
Medicare*	41.8%
Medicaid*	14.0%
Insurance*	33.0%
Workers Compensation	0.4%
Other**	2.1%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

\*\*Includes TRICARE.

**Source:** Atrium Health internal data

**Note:** The applicant states charity care is provided to patients in any payor category and that its internal data does not include charity care as a payor source.

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 8.6 percent of services will be provided to self-pay patients, 41.8 percent of services to Medicare patients, and 14 percent of services to Medicaid patients.

On page 88, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected patient payor mix is based on the historical patient payor mix.
- The applicant provides reasonable explanations for why it chose to project a payor mix identical to its historical payor mix.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

C

In Section L, page 90, the applicant adequately describes the range of means by which patients will have access to the proposed services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

In Section M, page 92, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area which already have access to AH Cabarrus.

- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (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

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

On page 31, the 2021 SMFP defines the service area for acute care beds as “... *the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 36, shows Cabarrus County as its own acute care bed service area. Thus, the service area for this facility is Cabarrus County. Facilities may also serve residents of counties not included in their service area.

Table 5A on page 37 of the 2021 SMFP shows that AH Cabarrus is the only facility in Cabarrus County with acute care beds.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 94, the applicant states:

*“The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to acute care services.”*

Regarding the impact of the proposal on cost effectiveness, in Section B, page 29, the applicant states:

*“...the proposed project will promote operational efficiencies and will allow Atrium Health Cabarrus to expand its acute care capacity, which in turn will allow Atrium Health Cabarrus to better meet patient needs and expectations.*

*Further, Atrium Health Cabarrus, as a part of the larger CMHA system, benefits from the significant cost savings measures through the consolidation of multiple services and large economies of scale. The proposed project will enable Atrium Health Cabarrus to continue to provide its patients with the best care possible, while also being responsive in a healthcare environment that emphasizes cost containment and efficient utilization of existing resources.”*

See also Sections C, F, K, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section B, page 27, the applicant states:

*“CMHA believes that the proposed project will promote safety and quality in the delivery of healthcare services. Atrium Health Cabarrus is known for providing high quality services and expects the proposed project to provide patients significant benefits in terms of safety/quality, access, and value through expanded service capacity while bolstering its high quality standard of care.*

*CMHA is dedicated to providing the highest quality care and is continually recognized locally and nationally for its commitment to delivering efficient, quality care. Each year, CMHA facilities are recognized by many of the top accrediting and ranking organizations in the industry.”*

See also Sections C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section B, page 28, the applicant states:

*“CMHA has long-promoted economic access to its services as it historically has provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin, [disability], or ability to pay.... The proposed acute care beds will continue to serve this population as dictated by the mission of CMHA, which is the foundation for every action taken. The mission is simple, but unique: ‘To improve health, elevate hope, and advance healing – for all.’ This includes the medically underserved.”*

See also Sections C and L of the application and any exhibits.

The applicant does not specifically address how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed. However, as noted above, AH Cabarrus is the only hospital in Cabarrus County.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

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

### C

The applicant proposes to add 22 acute care beds to AH Cabarrus for a total of 469 acute care beds upon project completion.

On Form O in Section Q, the applicant identifies the hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified a total of 13 hospitals in North Carolina.

In Section O, page 98, the applicant states that during the 18 months immediately preceding the submittal of the application, there was one incident involving a finding of immediate jeopardy at Atrium Health Cleveland. The applicant states that the facility is back in compliance and that the immediate jeopardy finding was withdrawn. Supporting

documentation is included in Exhibit O.4 After reviewing and considering information provided by the applicant and considering the quality of care provided at all 13 hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

## C

The Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800 are applicable to this review. The application is conforming to all applicable criteria, as discussed below.

### **10 NCAC 14C .3803 PERFORMANCE STANDARDS**

- (a) *An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.*
- C- The applicant proposes to develop 22 acute care beds at AH Cabarrus. The projected ADC of the total number of licensed acute care beds proposed to be licensed within the service area and owned by Atrium is greater than 200. The applicant adequately demonstrates that the projected utilization of the total number of licensed acute care beds proposed to be licensed within the service area and which are owned by Atrium is reasonably projected to be at least 75.2 percent by the end of the third operating year following completion of the proposed project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (b) *An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.*

- C- See Section C, pages 39-42, for the applicant's discussion of need, and Section Q for the applicant's data, assumptions, and methodology used to project utilization. The discussions regarding analysis of need and projected utilization found in Criterion (3) are incorporated herein by reference.