

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: January 27, 2023

Findings Date: January 27, 2023

Project Analyst: Donna Donihi  
Cosigner: Mike McKillip

Project ID #: J-12291-22

Facility: WakeMed Raleigh Campus

FID #: 943528

County: Wake

Applicant: WakeMed

Project: Cost overrun for Project ID# J-10165-13 (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

### 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

WakeMed hereinafter referred to as “the applicant,” proposes a cost overrun for Project ID# J-10165-13, (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

A certificate of need was issued on January 6, 2014, for Project ID# J-10165-13, and authorized a capital cost of \$7,890,167. The current application proposes a capital cost increase of \$4,263,985 over the previously approved capital cost for a total combined capital cost of \$12,154,152. The applicant states that the cost overrun application is necessary due to the increased cost to develop the project. The current market

conditions have driven up the costs for construction and equipment in comparison to the estimated costs in 2013 when the original application was submitted. The applicant proposes no material change in the scope from the originally approved project.

### **Need Determination**

The current COR application does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2022 SMFP. Therefore, there are no need determinations applicable to this review.

In the current COR application, the projected capital cost is greater than \$4 million; thus, Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities in the 2022 SMFP applies to this review. Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2022 SMFP, states:

*“Any person proposing a capital expenditure greater than \$4 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 combined proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 26-28, the applicant describes the plans for achieving energy and water conservation as follows:

*“WakeMed develops all capital projects with the goal of maximizing energy efficiency and water conservation. In both new construction and renovations, WakeMed uses energy-efficient windows and insulation to maximize energy efficiency. Heating and HVAC systems are high-efficiency units and reflect the best technology available on the market. The design of the renovated areas will incorporate additional HVAC “zones” whereby the systems will have an improved sensitivity to the temperature and humidity in the area served,*

*considering people and equipment loads as well as peripheral loads (e.g., exterior walls and windows, internal walls, etc.). The installation of a state-of-the-art building management system will provide the necessary air monitoring devices to ensure temperature, humidity, and room pressurization criteria are optimized.”*

The applicant provides a plan consistent with the written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

#### 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 based on the following:

- The application does not propose any changes to the original proposal that would make any need determinations applicable to this review.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the applicant provides 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 a cost overrun for Project ID# J-10165-13, (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

A certificate of need was issued on January 6, 2014, for Project ID# J-10165-13, and authorized a capital cost of \$7,890,167. The current application proposes a capital cost increase of \$4,263,985 over the previously approved capital cost for a total combined capital cost of \$12,154,152. The applicant states that the cost overrun application is necessary due to the increased cost to develop the project. The current market conditions have driven up the costs for the construction renovation contracts, furniture, and equipment costs in comparison to the estimated costs in 2013 when the original

application was submitted. The applicant proposes no material change in the scope from the originally approved project.

**Patient Origin**

On page 33, the 2022 SMFP defines the service area for acute care beds as “*the single or multicounty grouping shown in figure 5.1.*” Thus, the service area for this facility is Wake County. Facilities may also serve residents of counties not included in their service area.

In Section C, pages 41-43 the applicant provides the projected patient origin for the acute care beds at WakeMed Raleigh Campus. Given the time since the approval of Project # J-10165-13, WakeMed has updated the patient origin for acute care beds at WakeMed Raleigh Campus to reflect more current service area demographics, operating results, and market conditions as shown in the tables below.

Acute Care Beds	WakeMed Raleigh Campus					
	1st Full FY		2nd Full FY		3rd Full FY	
	10/01/2023 to 09/30/2024		10/01/2024 to 09/30/2025		10/01/2025 to 09/30/2026	
County	Number of Patients	% of Total	Number of Patients	% of Total	Number of Patients	% of Total
Wake	22,567	68.0%	22,794	68.0%	23,023	68.0%
Johnston	3,052	9.2%	3082	9.2%	3,114	9.2%
Franklin	1,690	5.1%	1,707	5.1%	1,724	5.1%
Harnett	1,056	3.2%	1,067	3.2%	1,077	3.2%
Nash	797	2.4%	805	2.4%	813	2.4%
Durham	488	1.5%	493	1.5%	498	1.5%
Wilson	309	0.9%	312	0.9%	315	0.9%
Wayne	282	0.9%	285	0.9%	288	0.9%
Sampson	273	0.8%	276	0.8%	279	0.8%
Cumberland	229	0.7%	231	0.7%	234	0.7%
Vance	221	0.7%	224	0.7%	226	0.7%
Halifax	213	0.6%	215	0.6%	217	0.6%
Lee	196	0.6%	198	0.6%	200	0.6%
Edgecombe	84	0.3%	85	0.3%	86	0.3%
Northampton	66	0.2%	67	0.2%	68	0.2%
Chatham	56	0.2%	57	0.2%	58	0.2%
Orange	51	0.2%	51	0.2%	52	0.2%
All Other NC Counties	1,056	3.2%	1,067	3.2%	1,077	3.2%
Out of State	518	1.6%	523	1.6%	529	1.6%
Total	33,204	100%	33,539	100%	33,878	100%

In Section C, page 42, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately

supported because the patient origin projections are based on WakeMed’s historical experience in FY2022.

**Analysis of Need**

In Section Q, Form F.1b, the applicant provides a summary of the capital cost approved in Project ID #J-10165-13, the changes proposed in this application, and the new projected capital cost, as shown in the table below.

WakeMed Raleigh Campus – Previously Approved and Proposed Capital Cost			
	Previously Approved Capital Cost Project No. J-10165.13	New Total Capital Cost Project No. J-12291-22	Difference (Capital Cost for This Project)
Construction/Renovation Contract(s)	\$4,036,040	\$7,462,475	\$3,426,435
Architect/Engineering Fees	\$443,964	\$426,145	-\$17,819
Medical Equipment	\$1,530,000	\$2,572,109	\$1,042,109
Non-Medical Equipment	\$491,000	\$564,452	\$73,452
Furniture	0	\$250,000	\$250,000
Consultant Fees (CON-related)	\$185,000	\$115,200	-\$69,800
Financing Costs	\$154,710	\$0	-\$154,710
Other (contingency)	\$1,049,453	\$763,771	\$285,682
<b>Total Capital Costs</b>	<b>\$7,890,167</b>	<b>\$12,154,152</b>	<b>\$4,263,985</b>

Section Q, Form F.1b

In Section C.8, pages 40-41, the applicant explains why the proposed increase in capital cost is necessary to develop the proposed project:

- **Increased Construction Contract Costs:** The applicant states that since the issuance of the Certificate of Need for Project #J-10165-13, the cost of construction and materials has increased by 45%. These costs represent approximately 80% of the total cost overrun.
- **Increased Medical Equipment, Non-Medical Equipment, and Furniture:** The applicant states that increases in equipment and furniture costs represent approximately 20% of the total cost overrun.

The information is reasonable and adequately supported based on the following:

- The applicant adequately explains the reasons additional costs are necessary to develop the proposed project.
- The applicant does not propose to change the scope of services offered or to change the patients projected to be served by the proposed project.

**Projected Utilization**

In Section Q, C.1b, the applicant provides updated utilization projections for acute care beds at WakeMed Raleigh Campus to reflect more current service area demographics, operating results, and market conditions since the approval of project J-10165-13, as shown in the tables below.

Projected Health Service Facility Bed Utilization upon Project Completion  WakeMed Raleigh	Partial FY	1st Full FY	2nd Full FY	3rd Full FY
	F: 10/01/2022 T: 09/30/2023	F: 10/01/2023 T: 01/31/2024	F: 10/01/2024 T: 09/30/2025	F: 10/01/2025 T: 09/30/2026
Total # of Beds, including all types of beds	587	587	587	587
# of Admissions or Discharges	21,917	21,917	33,539	33,877
# of Patient Days	114,962	114,962	175,930	177,702
Average Length of Stay	5.2	5.2	5.2	5.2
Occupancy Rate	80.9%	81.3%	82.1%	82.9%

Section Q, page 93, Form C.1b

The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant’s projected utilization is based on the historical utilization of the acute care beds at WakeMed Raleigh Campus.
- The applicant’s projected utilization is supported by projected population growth in the service area, particularly for the 65+ age group.

**Access to Medically Underserved Groups**

The application for Project ID# J-10165-13 adequately demonstrated the extent to which all residents of the area, including underserved groups, were likely to have access to the proposed services. The applicant proposes no changes in the current application which would affect that determination.

**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 reasons described above.

- (3a) In the case of a reduction or elimination of 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.

C

The applicant proposes a cost overrun for Project ID# J-10165-13, (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

In section E, page 49, the applicant states that there are no alternatives to meet the needs for this project. 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 reasonable 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. Therefore, the application can be approved.

**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 stated above. Therefore, the application is approved subject to the following conditions:

- 1. WakeMed (hereinafter certificate holder) shall materially comply with the representations made in the certificate of need application and Project ID# J-10165-13. If representations conflict, the certificate holder shall materially comply with the last made representation.**
- 2. The total combined capital expenditure for both projects is \$12,154,152, an increase of \$4,263,985 over the capital expenditure of \$7,890,167 previously approved in Project ID# J-10165-13.**
- 3. 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.**
- 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. The first progress report shall be due on July 1, 2023.
5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.
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 any charges for providing health services by the person proposing the service.

C

The applicant proposes a cost overrun for Project ID# J-10165-13, (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

A certificate of need was issued on January 6, 2014, for Project ID J-10165-13 and authorized a capital cost of \$7,890,167. The current application proposes a capital cost increase of \$4,263,985 over the previously approved capital cost for a total combined capital cost of \$12,154,152. The applicant states that the cost overrun application is necessary due to the increased cost of renovations, equipment, and furniture. The applicant proposes no material change in the scope from the originally approved project.

The following table compares the previously approved capital cost and the proposed capital cost, as reported on Form F.1b in Section Q.

WakeMed Raleigh Campus – Previously Approved and Proposed Capital Cost			
	Previously Approved Capital Cost Project No. J-10165.13	New Total Capital Cost Project No. J-12291-22	Difference (Capital Cost for This Project)
Construction/Renovation Contract(s)	\$4,036,040	\$7,462,475	\$3,426,435
Architect/Engineering Fees	\$443,964	\$426,145	-\$17,819
Medical Equipment	\$1,530,000	\$2,572,109	\$1,042,109
Non-Medical Equipment	\$491,000	\$564,452	\$73,452
Furniture	\$0	\$250,000	\$250,000
Consultant Fees (CON-related)	\$185,000	\$115,200	-\$69,800
Financing Costs	\$154,710	\$0	-\$154,710
Other (contingency)	\$1,049,453	\$763,771	\$285,682
<b>Total Capital Costs</b>	<b>\$7,890,167</b>	<b>\$12,154,152</b>	<b>\$4,263,985</b>

In Section Q, the applicant provides the assumptions used to project capital costs. The applicant adequately demonstrates that the projected capital needs of the project are based on reasonable and adequately supported assumptions.

**Availability of Funds**

In Section F, pages 56-57, the applicant states that the capital cost will be funded, as shown in the table below:

Sources of Capital Cost Financing		
Type		Total
Cash and Cash Equivalents, Accumulated Reserves, or Owner’s Equity	\$4,263,985	\$ 4,263,985
<b>Total Financing</b>	<b>\$4,263,985</b>	<b>\$ 4,263,985</b>

\* OE = Owner’s Equity

In Exhibit F-5.1, the applicant provides a letter dated October 14, 2022, from Executive Vice President and Chief Financial Officer for WakeMed indicating that accumulated reserves are available for the project. Exhibit F-5.2 contains the audited financial statements for WakeMed indicating the applicant has sufficient cash reserves to fund the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for 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 the completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following the completion of the project, as shown in the table below.

<b>Projected Revenues and Net Income upon Project Completion</b>	<b>1st Full Fiscal Year</b>	<b>2nd Full Fiscal Year</b>	<b>3rd Full Fiscal Year</b>
Total Patient Days	174,176	175,930	177,702
Total Gross Revenues (Charges)	\$3,653,487,232	\$3,690,017,783	\$3,726,913,595
Total Net Revenue	\$952,151,346	\$980,186,945	\$1,009,062,218
Average Net Revenue per Patient Day	\$5,467	\$5,571	\$5,678
Total Operating Expenses (Costs)	\$926,345,860	\$956,244,989	\$987,179,775
Average Operating Expense per Patient Day	\$5,318	\$5,435.37	\$5,555.25
Net Income	\$25,805,485	\$23,941,956	\$21,882,444

Source: Section Q, page 101

The assumptions used by the applicant in the preparation of the pro forma financial statements are provided in Section Q, page 101. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Financial projections were updated to reflect the most current assumptions regarding costs, charges, and reimbursement.
- 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 costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates the 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 a cost overrun for Project ID# J-10165-13 (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

On page 33, the 2022 SMFP defines the service area for Acute Care beds as “*the single or multicounty grouping shown in figure 5.1.*” Thus, the service area for this facility is Wake County. Facilities may also serve residents of counties not included in their service area.

In Project ID# J-10165-13, the Agency determined the applicant adequately demonstrated that the project would not result in unnecessary duplication of existing or approved services in the service area and no changes are proposed in this application which would affect that determination.

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 reason stated 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 a cost overrun for Project ID# J-10165-13 (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

In Project ID# J-10165-13, the Agency determined the applicant adequately demonstrated the availability of resources, including health manpower and management personnel to provide the proposed services, and no changes are proposed in this application which would affect that determination.

**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 stated 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 healthcare system.

C

The applicant proposes a cost overrun for Project ID# J-10165-13 (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

In Project ID# J-10165-13, the Agency determined the applicant adequately demonstrated the availability of the ancillary and support services necessary to the provision of the proposed services and adequately demonstrated the proposed services would be coordinated with the existing healthcare system and no changes are proposed in this application which would affect that determination.

### **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 reason stated 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 that 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 to 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 a cost overrun for Project ID# J-10165-13 (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

In Section K, pages 69-70, the applicant states that the project involves renovations of 20,575 square feet in the existing hospital. Line drawings are provided in Exhibit K.5.1. The applicant states that the original facility design was revised for more operational efficiency to provide ancillary support space for residents and staff.

In Section K, page 70 the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal because it was developed by WakeMed's construction and design staff with input from an independent contractor and a general contractor.

On page 71, the applicant adequately explains why the proposal will not unduly increase the cost to the applicant of providing the proposed services or the costs and charges to the public for the proposed services. The additional capital cost will not unduly increase the cost of the proposed services because renovating existing space is more cost-effective than new construction.

On pages 70-71, 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:

The applicant proposes a cost overrun for Project ID# J-10165-13, (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

- (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 Project ID# J-10165-13, the Agency determined the applicant was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring the 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

In Project ID# J-10165-13, the Agency determined the applicant was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

- (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 Project ID# ID# J-10165-13, the Agency determined the applicant was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

- (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 Project ID# J-10165-13 the Agency determined the applicant was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

- (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 a cost overrun for Project ID# J-10165-13 (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

In Project ID# J-10165-13, the Agency determined the applicant adequately demonstrated that the proposed health services will accommodate the clinical needs of health professional training programs in the area. The applicant proposes no changes in the current application which would affect that determination.

### **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 on 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 a cost overrun for Project ID# J-10165-13, (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

On page 33, the 2022 SMFP defines the service area for Acute Care beds as “*the single or multicounty grouping shown in figure 5.1.*” Thus, the service area for this facility is Wake County. Facilities may also serve residents of counties not included in their service area.

In Project ID# J-10165-13, the Agency determined the applicant adequately demonstrated the expected effects of the proposed services on competition and how any enhanced competition would have a positive impact on cost-effectiveness, quality, and access to the services proposed. The applicant proposes no changes in this application which would affect that determination.

### **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 based on the reason stated 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 a cost overrun for Project ID# J-10165-13 (Reconvert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus).

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 identifies a total of two of these types of facilities located in North Carolina.

In Section O, page 88, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents related to the quality of care which resulted in a finding of immediate jeopardy. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to the quality of care occurred in none of these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at both 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

In project ID# J-10165-13, the applicant was found conforming with the Criterion and standards for Acute Care Beds, 10A NCAC 14C. 3800. The applicant proposes no changes in the current application which would affect that determination.