

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: January 27, 2023

Findings Date: January 27, 2023

Project Analyst: Ena Lightbourne

Co-Signer: Micheala Mitchell

Project ID #: O-12276-22

Facility: Valleygate Dental Surgery Center Coast

FID #: 220727

County: Pender

Applicant(s): Valleygate Dental Surgery Center of Fayetteville, LLC

Project: Develop a new ASC by relocating no more than one OR from Valleygate Dental Surgery Center of Fayetteville with one procedure room

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.

NA

Valleygate Dental Surgery Center of Fayetteville, LLC, (“applicant”) proposes to develop a new Ambulatory Surgical Facility (ASF) by relocating no more than one operating room (OR) from Valleygate Dental Surgery Center of Fayetteville (“VDSC Fayetteville”) with one procedure room. The new facility, Valleygate Dental Surgery Center Coast (“VDSC Coast”), will have a total of one operating room and one procedure room upon project completion.

Need Determination

The proposed project 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 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There are no policies in the 2022 SMFP applicable to this review. Therefore, Criterion (1) is not applicable this review.

- (2) Repealed effective July 1, 1987.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 develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

The applicant was approved to develop a dental and oral ASF with two operating rooms in Fayetteville, pursuant to the 2016 SMFP Dental Single Specialty Ambulatory Surgical Facility Demonstration Project (Project M-11176-16). The demonstration project allowed the certificate of need holder to develop dental OR facilities in different regions across the state to avoid a concentration of dental ORs in one service area. The applicant is proposing to relocate one Dental Single Specialty Ambulatory Surgical Facility operating room from an existing Demonstration Project facility in Region 3. Page 83 of the 2022 SMFP states that Region 3 consists of counties in Health Service Area (HSA) V and VI.

In Section C, page 35, the applicant states that the proposal involves the development of a new ASF, therefore, there is no historical patient origin to report. However, on pages 35 and 36, the applicant provides the historical patient origin of VDSC Fayetteville. The applicant is proposing to transfer one operating room from VDSC Fayetteville to VDSC Coast.

The following tables illustrate historical and projected patient origin.

VDSC Fayetteville Historical Patient Origin CY2021		
County	Patients	% of Total
Cumberland	1,028	32.7%
Robeson	616	19.6%
Harnett	294	9.3%
Hoke	158	5.0%
Lee	225	7.1%
Scotland	148	4.7%
Sampson	184	5.8%
Moore	137	4.4%
Richmond	144	4.6%
Bladen	79	2.5%
Columbus	25	0.8%
Other (other NC Counties and other States)	110	3.5%
Total	3,148	100.0%

Source: Section C, page 37

VDSC Coast Projected Patient Origin						
County	CY2026		CY2027		CY2028	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
Bladen	57	4.9%	97	4.9%	100	4.9%
Brunswick	158	13.6%	275	13.6%	288	13.6%
Columbus	121	10.4%	203	10.4%	204	10.4%
Duplin	112	9.6%	190	9.6%	194	9.6%
New Hanover	289	24.9%	487	24.9%	492	24.9%
Onslow	279	24.0%	479	24.0%	494	24.0%
Pender	97	8.4%	167	8.4%	172	8.4%
Sampson	26	2.2%	44	2.2%	45	2.2%
Other (other NC Counties and other States)	35	1.9%	60	1.9%	62	1.9%
Total	1,174	100.0%	2,003	100.0%	2,051	100.0%

Source: Section C, page 40

In Section Q, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported.

- The applicant assumes one surgical case per patient.
- The applicant relied on the historical experience of Medicaid eligible patients and those appropriate for an ASF in the 8-county service area.

- The applicant determined market share percentage by county to determine future need at VDSC Coast.
- The applicant assumes that 3 percent of patients will migrate from counties outside the 8-county service area.

In Section C, pages 42-67, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

- The clinical need for dental surgery based on the prevalence of childhood dental disease, such as Early Childhood Caries, which is a communicable disease that can be transferred to others. (pages 42-45)
- The unmet dental needs and the lack of access to dental care among children identified as underserved, which is projected to grow as the population grows. (pages 46-51)
- The benefits of pediatric dental treatment under general anesthesia performed in an ambulatory surgical facility. (pages 51-52)
- The proposed project will provide an alternative to the barriers to dental treatment presented in hospitals. (pages 52-55)
- Advantages of dental treatment in an ambulatory surgical facility (pages 55-59)
- The proposed VDSC Coast will improve capacity by allowing more patients to be treated more conveniently and promptly which can prevent cases of disease advancement and reduce dental-related emergency room visits. (pages 60-61)
- The proposed VDSC Coast will provide access to a more cost-effective setting that will increase savings to the NC Medicaid program and increase access for those eligible for Valleygate DSCs' charity program. (page 61)
- Expanding access to pediatric dentists alleviates some of the existing delivery system issues in Region 3. (page 61-65)
- Local pediatric dentists estimate that the proposed VDSC Coast could improve access for over 1,300 new patients per year. (page 65)
- VDSC Coast can alleviate some of the access barriers experienced by pediatric dentists as the number of providers grow, which is projected to be faster than the demand for dental services. (pages 65-67)

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

The applicant is proposing to develop a new ASF by relocating one operating room from the existing VDSC Fayetteville in the service area. The proposal will provide a cost-effective alternative that will meet the clinical need for pediatric dental surgery, address the lack of access to dental services by the underserved, and improve capacity to treat patients with immediate dental needs.

Projected Utilization

In Section Q, pages 139-140, the applicant provides projected utilization, as illustrated in the following table.

VDSC Coast Projected Utilization			
	1ST Full FY CY2026	2ND Full FY CY2027	3RD Full FY CY2028
Operating Rooms			
Total # ORs	1	1	1
Outpatient Surgical Cases	1,174	1,482	1,482
Outpatient Surgical Case Time	1.2	1.2	1.2
Outpatient Surgical Hours	1,372.2	1,731.5	1,731.5
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	1.0	1.3	1.3
Procedure Rooms			
Number of Procedure Rooms	1	1	1
Total Number of Procedures	-	521	569

In Section Q, pages 146-165, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: Estimate population of all Medicaid eligibles in the 8-county primary service area.

The applicant relied on data from the North Carolina Medicaid Division of Health Benefits (NCDMA) to estimate population of all Medicaid eligibles in the 8-county primary service area. The applicant projected the number of Medicaid eligibles from 2023 through 2028 in the 8-county service area by applying the historical three-year average annual growth rate for 2018 through 2020 (Exhibit C.4) of Medicaid eligibles by county. The applicant states that historically, 77 percent of Valleygate DSCs patients are Medicaid beneficiaries.

Table 1-Projected Medicaid Eligibles by County, 8-County Focus Counties 2023-2028						
County	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
Bladen	12,178	12,522	12,875	13,239	13,612	13,996
Brunswick	32,257	33,736	35,283	36,901	38,593	40,363
Columbus	20,744	20,858	20,973	21,088	21,204	21,320
Duplin	19,722	20,123	20,533	20,951	21,378	21,813
New Hanover	44,488	44,936	45,388	45,844	46,306	46,771
Onslow	47,823	49,272	50,765	52,303	53,887	55,520
Pender	16,642	17,145	17,663	18,197	18,747	19,313
Sampson	23,111	23,633	24,167	24,714	25,272	25,844
Total	216,966	222,226	227,648	233,237	238,999	244,941

Source: Section Q, page 146

Step 2: Estimate the dental/oral case use rate for Medicaid Eligible residents, 2019-2021.

Using data from NCDMA, the applicant divided the three-year (2019-2021) total count of dental claims for hospital and ambulatory surgery centers by the three-year total count of Medicaid eligibles to determine the rate of patients with claims per 1,000 Medicaid eligibles.

Metric	2019
a. Total Medicaid Dental Surgery Claim Patients ASC and Hospital	18,747
b. Total Medicaid Eligibles	2,076,672
c. Patients with Dental Surgery Claims per 1,000 Medicaid Eligibles	9.03
d. Estimated percent of need reached	50.0%
e. Estimated rate of Medicaid eligible residents in need	18.1

Source: Section Q, page 147

- a. NCDMA Data
- b. Per NCDMA website, total Medicaid eligibles
- c. $a / b \times 1,000$
- d. Applicant's estimate
- e. c / d

Step 3: Estimate the number of Medicaid eligible dental/oral surgical cases in the VDSC Coast 8-county primary service area, 2023-2028.

The applicant applied the Medicaid dental surgery need rate (*Step 2*) to the projected number of Medicaid eligibles (*Step 1*) to project the number of Medical eligible dental surgery cases involving anesthesia in the 8-county service area.

	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
Bladen	220	226	232	239	246	253
Brunswick	582	609	637	666	697	729
Columbus	375	377	379	381	383	385
Duplin	356	363	371	378	386	394
New Hanover	803	811	819	828	836	844
Onslow	863	890	917	944	973	1,002
Pender	300	310	319	329	338	349
Sampson	417	427	436	446	456	467
Total	3,917	4,012	4,110	4,211	4,315	4,422

Source: Section Q, page 148

Note: Total estimated Medicaid eligibles *Step 1*. Table 1 by year x need rate *Step 2*, Table 2, row c / 1,000

Step 4: Estimate total dental surgical cases in the 8-county service area, 2023-2028.

To project the total number of dental surgical cases in the 8-county service area with other payor sources, the applicant divided the projected need by 77.2 percent, VDSC Fayetteville's percentage of Medicaid patients in 2021.

	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
Bladen	285	293	301	310	318	327
Brunswick	754	789	825	863	903	944
Columbus	485	488	490	493	496	499
Duplin	461	471	480	490	500	510
New Hanover	1,040	1,051	1,061	1,072	1,083	1,094
Onslow	1,118	1,152	1,187	1,223	1,260	1,298
Pender	389	401	413	426	438	452
Sampson	540	553	565	578	591	604
Total	5,074	5,197	5,324	5,455	5,589	5,728

Source: Section Q, page 149

Note: total estimated Medicaid cases *Step 3* by year / 0.772

Step 5: Estimate the number of dental surgical cases appropriate for a freestanding ambulatory Surgery Center compared to a Hospital.

The applicant states that 10 percent of dental surgery procedures are performed in a hospital. To account for that segment of the patient population, the applicant multiplied the estimated total need by 90 percent to estimate the total cases appropriate for an ASF.

	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
Bladen	256	264	271	279	287	295
Brunswick	679	710	743	777	812	850
Columbus	437	439	441	444	446	449
Duplin	415	424	432	441	450	459
New Hanover	939	946	955	965	975	984
Onslow	1,007	1,037	1,069	1,101	1,134	1,169
Pender	350	361	372	383	395	407
Sampson	486	497	509	520	532	544
Total	4,567	4,677	4,792	4,909	5,031	5,156

Source: Section Q, page 150

Note: Total estimated cases *Step 4*, Table 4 per year x 0.90

Step 6: Determine average case time for dental surgical cases.

The 2022 SMFP does not report case times for dental demonstration surgery centers, however, the applicant used Group 6 Standard Hours per Operating Room per Year and applied the 2022 SMFP Operating Room Standard Methodology.

Table 6-Standard Operating Hours Per Case and Average Case Time, Group 6 Operating Rooms	
Standard Operating Hours per Case	1,312
Average Minutes per Case	70.1
Average Hours per Case	1.2

Source: Section Q, page 151; 2022 SMFP, pages 52-53

Step 7: Estimate total dental surgical hours needed in the VDSC Coast Service Area, 2023-2028.

The applicant multiplied the total case need (*Step 5*) by the average hours per case (*Step 6*) to determine the total ASF dental surgical hours need.

Table 7-Estimated Total Dental Surgery Hours Appropriate for an ASC Needed in the VDSC Coast Service Area, 2023-2028						
	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
Total Dental Surgical Hours	5,480	5,613	5,750	5,891	6,037	6,187

Source: Section Q, page 152

Note: Total estimated cases *Step 5*, Table 5 by year x average hours per case *Step 6* Table 6

Step 8: Estimate the number of dental only operating rooms necessary to meet the need in the VDSC Coast primary service area, 2023-2028, according to the SMFP Standard Operating Room Methodology.

The applicant applied the 2022 SMFP Operating Room Standard Methodology to determine the projected need for operating rooms for dental surgical cases in the service area. The applicant calculated a deficit of five operating rooms by 2028.

Table 8-Estimated Need for Total Dental only Operating Rooms in the VDSC Coast 8-County Primary Service Area, 2023-2028						
Metric	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
a. Total Dental Only Surgical Hours Needed	5,480	5,613	5,750	5,891	6,037	6,187
b. Hours Required per OR at Group 6 Facility	1,312	1,312	1,312	1,312	1,312	1,312
c. ORs Needed in ASFs to Meet the Dental Surgical Need	4.2	4.3	4.4	4.5	4.6	4.7
d. Dedicated Dental ORs in the Service Area	0.0	0.0	0.0	0.0	0.0	0.0
e. Dental Only OR Surplus/(Deficit)	(4.2)	(4.3)	(4.4)	(4.5)	(4.6)	(4.7)

Source: Section Q, page 152

a. Total dental surgical hours, *Step 7*, Table 7

b. Per *Step 3e*, page 52, 2022 SMFP

c. a / b

d. There are no dedicated dental operating rooms in the 8-county primary service area.

e. d - c

The following table illustrates the combined impact that VDSC’s Coast dental only facility will have on the dental operating room deficit in the 8-county service area.

Table 9-Estimated Impact of VDSC Coast’s Dental Only Operating and Procedure Room on 8-County Operating Room Deficit, 2023-2028						
County	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
a. ORs Needed in ASFs to Meet the Dental Surgical Need	4.2	4.3	4.4	4.5	4.6	4.7
b. Dedicated Dental OR and PRs	0	0	0	2	2	2
e. Dental Only OR Surplus/(Deficit)	(4.2)	(4.3)	(4.4)	(2.5)	(2.6)	(2.7)

Source: Section Q, page 153

a. Table 8 row e

b. Reflects VDSC Coast’s one operating and one procedure room online in CY 2026.

c. d - c

In Exhibit G.2, the applicant provides the methodology used to estimate the need and subsequent deficit of dedicated dental only operating rooms in Region 3, as illustrated in the table below.

Table 10-Unmet Need for Dental only Operating and Procedure Rooms Region 3, 2023-2028						
Metric	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
a. Total Dental Only Surgical Hours Needed	22,177	22,837	23,524	24,241	24,988	25,768
b. Hours Required per OR at Group 6 Facility	1,312	1,312	1,312	1,312	1,312	1,312
c. ORs Needed in ASFs to Meet the Dental Surgical Need	16.9	17.4	17.9	18.5	19.0	19.6
d. Dedicated Dental ORs and PRs in the Service Area	6	6	6	8	8	8
e. Dental Only OR Surplus/(Deficit)	(10.9)	(11.4)	(11.9)	(10.5)	(11.0)	(11.6)

Source: Section Q, page 153

a. Total dental surgical hours, *Step 8*, Table 8

b. Per *Step 3e*, page 52, 2022 SMFP

c. a / b

d. VDSC Fayetteville and VDSC Coast total operating and procedure rooms; CY26 reflects VDSC Coast coming online after the relocation.

e. d - c

Step 9: Determine VDSC Coast’s market share of estimated dental surgical cases by county, 2026-2028.

The applicant does not expect to reach the entire need but projects a 60 percent market share- for VDSC Coast during the startup phase.

County	CY2026	CY2027	CY2028
Bladen	20.3%	33.9%	33.9%
Brunswick	20.3%	33.9%	33.9%
Columbus	27.3%	45.5%	45.5%
Duplin	25.4%	42.3%	42.3%
New Hanover	30.0%	50.0%	50.0%
Onslow	25.4%	42.3%	42.3%
Pender	25.4%	42.3%	42.3%
Sampson	5.0%	8.3%	8.3%

Source: Section Q, page 154; Exhibit C.5; Year CY26 adjusted To 60 percent of the estimated share; (share x 0.6)

Step 10: Determine the primary service area dental surgical case utilization at VDSC Coast, 2023-2028.

The applicant multiplied the estimated market share by year by county (*Step 9*) by the total estimated need by County (*Step 5*) to project utilization.

County	CY2026	CY2027	CY2028
Bladen	57	97	100
Brunswick	158	275	288
Columbus	121	203	204
Duplin	112	190	194
New Hanover	289	487	492
Onslow	279	479	494
Pender	97	167	172
Sampson	26	44	45
Total	1,139	1,943	1,989

Source: Section Q, page 154

Note: Market Share by County *Step 9* Table 11 x Estimated Total Dental Surgical Cases by County *Step 5*, Table 5

Step 11: Estimated total dental surgical cases at VDSC Coast after in-migration, 2026-2028.

The applicant assumed that 3.0 percent of patients would come from outside the 8-county service area. To project the number of cases, the applicant divided the total number of cases from the 8-county service area (*Step 10*) by 0.97.

Table 13-Estimated Total Annual Dental Surgical Cases with In-Migration at VDSC Coast, 2026-2028			
County	CY2026	CY2027	CY2028
a. Total Cases from the Primary Service Area Counties	1,139	1,943	1,989
b. Percent of Patients from Primary Service Area	97.0%	97.0%	97.0%
c. Total Cases Served at VDSC Coast	1,174	2,003	2,051
d. In migration case	35	60	62

Source: Section Q, page 157

a. *Step 10*, Table 12 Total

b. Estimated percent of VDSC Coast patients from outside the eight primary counties.

c. a / b

d. c -a

Step 12: Estimate number of surgical cases and hours at VDSC Coast, 2026-2028.

Although the performance standard for operating rooms does not apply to the relocation of operating rooms, the applicant estimated the number of dentals surgical hours at VDSC Coast based on the SMFP operating room methodology and the experience of other Valleygate DSCs.

Table 14-Estimated Number of Dental Surgical Cases per Room at VDSC Coast, 2026-2028			
Metric	CY2026	CY2027	CY2028
a. VDSC Coast Dental Surgical Cases	1,174	2,003	2,051
b. Average Hours Per Case	1.17	1.17	1.17
c. VDSC Coast Dental Surgical Hours	1,372	2,341	2,396

Source: Section Q, page 158

a. Total estimated dental surgical cases, *Step 11*, Table 13, row c

b. Standard hours, 2022 SMFP page 52-53, See Exhibit C.5

c. a x b

Step 13: Allocate Estimated Surgical Cases and Hours to Operating and Procedure rooms at VDSC Coast, 2026-2028.

The applicant allocated annual cases first to the operating room until it reached the calculated maximum surgical cases and hours per room then assigned the remaining surgical cases and hours to the procedure room.

Table 15-Estimated Number of Dental Surgical Cases per Room at VDSC Coast, 2026-2028			
Metric	CY2026	CY2027	CY2028
a. Total VDSC Coast Dental Surgical Cases	1,174	2,003	2,051
b. Maximum VDSC Cases per Operating Room	1,482	1,482	1,482
c. Total VDSC Coast Operating Rooms	1	1	1
d. Total Operating Room Cases	1,482	1,482	1,482
e. Cases Available for Procedure Rooms	(308)	521	569
f. Total Number of Procedure Rooms	1	1	1
g. Cases per Procedure Room	(308)	521	569

Source: Section Q, page 159

- a. Estimated number of total dental surgical cases at VDSC Coast, *Step 12*, Table 14, row a
- b. 6 cases per day x 247 operating days
- c. One transferred operating room
- d. b x c
- e. a – d
- f. Total number of procedure rooms at VDSC Coast
- g. e / f

The applicant translates case to hours to test capacity by room type using VSDC Fayetteville capacity experience, as illustrated in the table below.

Table 16-Estimated Number of Dental Surgical Hours at VDSC Coast, 2026-2028			
Metric	CY2026	CY2027	CY2028
a. Total VDSC Coast Dental Surgical Cases	1,372	2,341	2,396
b. Maximum VDSC Cases per Operating Room	1,731	1,731	1,731
c. Total VDSC Coast Operating Rooms	1	1	1
d. Total Operating Room Hours	1,731	1,731	1,731
e. Hours Available for Procedure Rooms	(359)	609	664
f. Total VDSC Coast Procedure Rooms	1	1	1
g. Hours per Procedure Room	(359)	609	664

Source: Section Q, page 159

- a. Estimated number of total dental surgical cases at VDSC Coast, *Step 12*, Table 14, row c
- b. Maximum cases 1,482 x 1.17 hours per case
- c. One transferred operating room, VDSC Coast
- d. b x c
- e. a – d
- f. Total number of procedure rooms at VDSC Coast
- g. e / f

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

- The applicant’s projections of total dental surgical cases performed at the proposed VDSC Coast are supported by the historical growth rates of Medicaid eligible dental surgical cases performed in the 8-county service area.

- The applicant applied the 2022 SMFP Operating Room Standard Methodology to determine the need for dental-only operating and procedure rooms in Region 3 and the 8-county service area.
- Based on the determined need in the 8-county service area, the applicant reasonably projects VDSC Coast’s market share and the number of cases that will initially shift to VDSC Coast.
- The applicant adequately demonstrates the need to expand access to pediatric dental services in the 8-county service area.

Access to Medically Underserved Groups

In Section C, page 74, the applicant states:

“VDSC Coast will adopt the policies of its management company Valleygate Holdings.

...

Valleygate DSCs accept patients regardless of gender, gender preference, race ethnicity, age, or income, they can and do also serve people who have disabilities.

...

VDSC South will obtain certification by Medicare and Medicaid and will provide services to both sets of beneficiaries. Patients will be able to access care at VDSC Coast through referrals by credentialed dentists and oral surgeons.”

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low-income persons	81.8%
Racial and ethnic minorities	74.0%
Women	46.0%
Persons with Disabilities	100.0%
Persons 65 and older	0.1%
Medicare beneficiaries	0.1%
Medicaid recipients	77.2%

Section C, page 76

In Section C, pages 69-71, 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.

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.

C

The applicant proposes to develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

In Section D, pages 81-82, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project.

Although the applicant is proposing to relocate one operating room from VDSC Fayetteville, reducing the number of operating rooms from two to one operating room, the applicant will increase its procedure room inventory from four to five rooms. All procedures are performed in either the operating room or procedure room based on availability. On pages 81-82, the applicant states:

“Upon licensure of VDSC Coast in or around early 2026, VDSC Fayetteville will reduce its operating room inventory from two to one and increase its procedure room inventory from four to five. This change is only a license designation change. VDSC Fayetteville will not reduce any services, staff, or medical equipment as a result of this change.”

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

- Although the applicant is proposing to reduce the number of operating rooms, the applicant’s proposal includes increasing the number of procedure rooms.
- The applicant’s proposal will not result in an interruption to services because all of the facility’s rooms can accommodate any procedure type.

In Section Q, page 142, the applicant provides projected utilization, as illustrated in the following table.

VDSC Fayetteville Projected Utilization				
	Interim Full FY CY2023	Interim Full FY CY2024	Interim Full FY CY2025	Interim Full FY CY2026
Operating Rooms				
Total # ORs	2	2	2	1
Outpatient Surgical Cases	2,964	2,964	2,964	1,482
Outpatient Surgical Case Time	1.2	1.2	1.2	1.2
Outpatient Surgical Hours	3,468	3,468	3,468	1,734
Group Assignment	6	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	2.6	2.6	2.6	1.3
Procedure Rooms				
Number of Procedure Rooms	4	4	4	5
Total Number of Procedures	841	1,059	1,290	3,016

In Section Q, pages 161-165, the applicant provides the assumptions and methodology used to project utilization, which is summarized below (*Step* numbers continued from VDSC Coast projections):

Step 14: Determine Annual VDSC Fayetteville historical utilization by county, 2020-2022.

Relying on internal patient origin data, the applicant examines VDSC Fayetteville’s historical dental surgical cases.

County	CY2020	CY2022	CY2022 Annualized
Cumberland	769	1,028	1,103
Bladen	39	79	107
Columbus	40	25	50
Harnett	170	294	279
Hoke	124	158	233
Lee	32	225	212
Moore	24	137	176
Richmond	49	144	113
Robeson	464	616	767
Sampson	137	184	192
Scotland	88	148	197
Other	55	110	175
Total	1,991	3,148	3,599

Source: Section Q, page 161

- a. Service area for VDSC Fayetteville is Region 3, all 44 counties in HSAs V and VI. Over the last three years, VDSC Fayetteville has served patients from 21 of the 44 Region 3 counties. However, these 11 counties historically made up at least 95 percent of all VDSC Fayetteville dental surgical cases.
- b. Table reflects actual VDSC Fayetteville history, CY2022 and CY2021, and CY2022 annualized.

Step 15: Estimate the future growth percentage of VDSC Fayetteville cases.

VDSC Fayetteville experienced high growth rates after the facility’s opening in 2018. The applicant reasonably projects that these high growth rates are not sustainable considering the additional capacity upon VDSC Coast’s opening. The following table illustrates the applicant’s estimated annual grow rate.

	CY2020	CY2021	CY2022 Annualized	Step Down Factor	Future Annual Growth Rate
a. Annual Growth Rate		58.1%	14.3%		
b. Percent of CY22 Annual Growth Rate				40.0%	
c. Estimated Annual Growth Rate, CY23-CY28					5.7%

Source: Section Q, page 162

- a. $(\text{Current year cases} - \text{previous year cases}) / \text{previous year cases}$
- b. Estimated percent of CY22 annual growth rate
- c. $a \text{ from CY22} \times b$

Step 16: Forecast annual dental surgery cases by county at VDSC Fayetteville estimated growth rate, 2023-2026.

The applicant applied the estimated growth rate determined in *Step 15* to project annual dental surgery cases from 2023 to 2026.

Table 19-VDSC Fayetteville Forecast Dental Surgical Cases by County, 2023-2028						
County	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
Cumberland	1,166	1,232	1,303	1,378	1,457	1,540
Bladen	113	119	126	133	141	149
Columbus	52	55	59	62	65	69
Harnett	295	312	330	349	369	390
Hoke	246	260	275	291	307	325
Lee	224	236	250	264	279	295
Moore	186	196	207	219	232	245
Richmond	119	126	133	141	149	157
Robeson	810	857	906	958	1,013	1,071
Sampson	203	215	227	240	254	268
Scotland	208	220	232	246	260	275
Other	184	195	206	218	231	244
Total	3,805	4,023	4,254	4,498	4,755	5,028

Source: Section Q, page 163

Note: previous year total cases x (1 + 5.7%)

Step 17: Estimated number of surgical cases and hours at VDSC Fayetteville, 2023-2026.

The applicant estimated the number of surgical cases and hours at VDSC Fayetteville using the same methodology applied to VDSC Coast.

Table 20-Estimated Number of Dental Surgical Hours at VDSC Fayetteville, 2023-2028						
Metric	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
a. VDSC Fayetteville Dental Surgical Cases	3,805	4,023	4,254	4,498	4,755	5,028
b. Average Hours Per Case	1.17	1.17	1.17	1.17	1.17	1.17
c. VDSC Fayetteville Dental Surgical Hours	4,446 [4,452]	4,701 [4,707]	4,970 [4,977]	5,255 [5,263]	5,556 [5,563]	5,874 [5,883]

Source: Section Q, page 163

Project Analyst's calculations in brackets

a. Total estimated dental surgical cases, *Step 16*, Table 19

b. Standard hours, 2022 SMFP page 52-53, See Exhibit C.5

c. a x b

Step 18: Allocate Estimated Surgical Cases and Hours to Operating and Procedure Rooms at VDSC Fayetteville, 2023-2028.

Table 21-Estimated Number of Dental Surgical Cases at VDSC Fayetteville, 2023-2028						
Metric	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
a. Total VDSC Fayetteville Dental Surgical Cases	3,805	4,023	4,254	4,498	4,755	5,028
b. Maximum Number of Cases per Operating Room	1,482	1,482	1,482	1,482	1,482	1,482
c. Total Number Operating Rooms	2	2	2	1	1	1
d. Total Operating Room Cases	2,964	2,964	2,964	2,964	2,964	2,964
e. Cases Available for Procedure Rooms	841	1,059	1,290	3,016	3,273	3,546
f. Total Number of Procedure Rooms	4	4	4	5	5	5
g. Cases per Procedure Room	210	265	322	603	655	709

Source: Section Q, page 164

- a. Estimated number of total dental surgical cases at VDSC Fayetteville, *Step 17*, Table 19
- b. 6 cases per day x 247 operating days
- c. Total number of operating rooms at VDSC Fayetteville
- d. b x c
- e. a – d
- f. Total number of procedure rooms at VDSC Fayetteville
- g. e / f

Table 22-Estimated Number of Dental Surgical Hours at VDSC Fayetteville, 2023-2028						
Metric	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
a. Total VDSC Fayetteville Dental Surgical Cases	4,446	4,701	4,970	5,255	5,556	5,874
b. Maximum Number of Hours per Operating Room	1,731	1,731	1,731	1,731	1,731	1,731
c. Total Number Operating Rooms	2	2	2	1	1	1
d. Total Operating Room Hours	3,463	3,463	1,731	1,731	1,731	1,731
e. Hours Available for Procedure Rooms	841	1,059	1,290	3,016	3,273	3,546
f. Total Number of Procedure Rooms	4	4	4	5	5	5
g. Hours per Procedure Room	210	265	322	603	655	709

Source: Section Q, page 164

- a. Estimated number of total dental surgical cases at VDSC Fayetteville, *Step 17*, Table 20, row c
- b. 6 cases per day x 247 operating days
- c. Total number of operating rooms at VDSC Fayetteville
- d. b x c
- e. a – d
- f. Total number of procedure rooms at VDSC Fayetteville
- g. e / f

Projected utilization is reasonable and adequately supported by the historical and growth experienced at VDSC Fayetteville.

Access to Medically Underserved Groups

In Section D, page 77, the applicant states:

“...VDSC Fayetteville will continue to serve all of the identified groups...in the same manner after VDSC Coast opens.

...

Valleygate DSCs accept patients regardless of gender, gender preference, race, ethnicity, age, or income, it can and does also serve most people who have disabilities.”

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use surgical services will be adequately met following completion of the project because VDSC Fayetteville is an existing facility that incorporates the existing financial assistance and non-discrimination policies of its management company, VDSC Holdings.

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 needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion for all the reasons described above.
- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.

- (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 to develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

In Section E, pages 87-90, the applicant describes the alternatives it 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 Status Quo-The applicant states that this alternative is less effective considering the increasing case demand at VDSC Fayetteville, projected growth of Medicaid eligible patients, and the limited accessibility to dental services in area hospitals and ASFs.

Choose a Different Location-The applicant states that the proposed location is the best location based on its accessibility. The location will be in proximity to specialty providers and dentists who serve patients in their clinics and ASFs. Additionally, Pender County is close to several largely populated counties of Region 3.

Develop More/Less Procedure Rooms-The applicant states that developing the one operating room and no procedure room would not add enough capacity to serve the market.

Renovate or Build New-The applicant states that the proposed location is easy-accessible and supports an affordable lease.

Expand the Existing Facility-The applicant states that expanding VDSC Fayetteville will not address the need for operational efficiency of pediatric dentists' practices in the coastal communities.

Wait Until the Agency Declares the Demonstration Project Officially Complete-The applicant states that this alternative was not cost-effective because waiting for the Agency to declare the demonstration project complete can delay the project for almost a year risking an increase in construction and land acquisition costs.

Wait for the Standard Methodology to show an Operating Room Need Determination-The applicant states that based on the proposed surplus of operating rooms in Region 3 counties, as stated in the 2023 SMFP, a need for operating rooms may not be available for several years. Further, if a need is available, more than likely it would be competitive and does not guarantee the applicant would be awarded the Certificate of Need.

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's proposal is the most effective alternative to meet the growing demand for operating rooms and enhance accessibility to dentists and specialty providers.
- 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 stated above. Therefore, the application is approved subject to the following conditions:

- 1. Valleygate Dental Surgery Center of Fayetteville, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a new Ambulatory Surgical Facility, Valleygate Dental Surgical Center Coast, by relocating no more than one operating room from Valleygate Dental Surgery Center Fayetteville, with one procedure room.**
- 3. Upon completion of the project, Valleygate Dental Surgery Center Coast shall be licensed for no more than one operating room and one procedure room.**
- 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 September 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. The certificate holder shall receive accreditation from the Joint Commission for the Accreditation of Healthcare Organizations, the Accreditation Association for Ambulatory Health Care or a comparable accreditation authority within two years following licensure of the facility.**
- 7. For the first three years of operation following completion of the project, the certificate holder shall not increase charges more than 5% of the charges projected**

in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.

- 8. The procedure room shall not be used for procedures that should be performed only in an operating room based on current standards of practice.**
 - 9. Procedures performed in the procedure rooms shall not be reported for billing purposes as having been performed in an operating room and shall not be reported on the facility's license renewal application as procedures performed in an operating room.**
 - 10. 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.**
 - 11. 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 develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

Capital and Working Capital Costs

In Section Q, page 167, the applicant projects the total capital cost of the project, as shown in the table below.

VDSC Coast Capital Costs	
Construction/Renovation Contract(s)	\$1,158,259
Architecture/Engineering Fees	\$202,817
Medical Equipment	\$691,069
Non-Medical Equipment	\$368,947
Furniture	\$56,147
Consultant Fees	\$50,000
Other (Contingency)	\$252,724
Total	\$2,779,962

On page 167, the applicant lists the facility as VDSC Fayetteville, however, in Exhibits F.1 and K.4, the applicant associates the capital costs to VDSC Coast.

In Exhibits F.1 and K.4, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- In Exhibits F.1 and K.4, the applicant provides a detailed breakdown of the estimated costs for medical and non-medical equipment, furniture, and construction costs.
- Other costs are based on the applicant's experience and an estimated 10% contingency cost.

In Section F, page 93, the applicant projects that start-up costs will be \$173,610 and initial operating expenses will be \$520,062 for a total working capital of \$693,672. On page 186, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- Start-up expenses include salaries, utilities, rental and other expenses incurred during the first few months of the first operating year of the project.
- Other working capital expenses are calculated based on monthly net cash inflow/outflow and cumulative cash flow beginning the first year of the project.

Availability of Funds

In Section F, page 91, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	VDSC Coast	Total
Loans	\$2,779,962	\$2,779,962
Accumulated reserves or OE *	\$0	\$0
Bonds	\$0	\$0
Total Financing	\$2,779,962	\$2,779,962

In Section F, page 94, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital	Amount
Loans	\$693,672
Cash or Cash Equivalents, Accumulated Reserves or Owner’s Equity	\$0
Lines of credit	\$0
Bonds	\$0
Total *	\$693,672

Exhibit F.2 contains a letter dated October 15, 2022, from the Senior Vice President of First Citizen’s Bank stating their commitment to finance the project. Exhibit F.2 also contains a letter from the Chief Executive Officer of Village Family Dental, a managing member of VDSC of Fayetteville, LLC, stating their commitment to use the funds from First Citizen’s Bank for upfitting space, equipment and working capital.

Financial Feasibility

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

VDSC Coast Operating Rooms	1 st Full FY CY 2026	2 nd Full FY CY 2027	3 rd Full FY CY 2028
Total Operating Room Cases	1,174	1,482	1,482
Total Gross OR Revenues (Charges)	\$6,206,000	\$7,830,888	\$7,830,888
Total Net OR Revenue	\$1,988,836	\$2,509,563	\$2,509,563
Average Net Revenue per OR Case	\$1,694	\$1,693	\$1,693
Total Operating Expenses (Costs)	\$1,476,431	\$1,585,928	\$1,609,060
Average Net Operating Expenses per OR Case	\$1,258	\$1,070	\$1,086
Net Income	\$512,405	\$923,635	\$900,503

VDSC Coast Procedure Rooms	1st Full FY CY 2026	2nd Full FY CY 2027	3rd Full FY CY 2028
Total Procedure Room (PR) Cases	0	521	569
Total Gross PR Revenues (Charges)	\$0	\$2,754,567	\$3,004,083
Total Net PR Revenue	\$0	\$882,756	\$962,718
Average Net Revenue per PR Cases	\$0	\$1,694	\$1,692
Total Operating Expenses (Costs)	\$432,297	\$828,446	\$871,894
Average Net Operating Expenses per OR Case	-	\$1,590	\$1,532
Net Income	(\$432,297)	\$54,310	\$90,824

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q, pages 172-176, of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

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 and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital and working 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 develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

The applicant was approved to develop a dental and oral ASF with two operating rooms in Fayetteville, pursuant to the 2016 SMFP Dental Single Specialty Ambulatory Surgical Facility

Demonstration Project (Project M-11176-16). The demonstration project allowed the certificate of need holder to develop dental OR facilities in different regions across the state to avoid a concentration of dental ORs in one service area. The applicant is proposing to relocate one Dental Single Specialty Ambulatory Surgical Facility operating room from an existing Demonstration Project facility in Region 3. The 2022 SMFP states that Region 3 consists of counties in Health Service Area (HSA) V and VI.

In Section G, pages 99-100, the applicant identifies the existing and approved facilities in Region 3 that have operating rooms and provides the utilization of oral surgery/dental cases for FY2021. The applicant identifies a total of 50 facilities in 33 counties.

In Section G, page 101, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating room services in the proposed service area. The applicant states:

“It will not change the inventory of operating rooms in Region 3 or in the state of North Carolina.”

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

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.

- (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 develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

In Section Q, page 188, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	VDSC Coast Projected FTE Staff		
	1 st Full FY CY 2026	2nd Full FY CY 2027	3 rd Full FY CY 2028
Registered Nurses (RNs)	1.19	2.03	2.08
Surgery Control	0.40	0.68	0.69
Business Office	2.00	2.00	2.00
Anesthesiologist	1.00	1.00	1.00
TOTAL	4.59	5.70 [5.71]	5.77

Project Analyst's calculation in brackets.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 103-104, the applicant describes the methods 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 and its parent company, Valleygate Holdings, are established employers that recruit staff through traditional means which will include recruiting staff for VDSC Coast.
- All VDSC Coast staff will be required to maintain appropriate credentials and attend continuing education programs as evidence of continued competency.

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.

- (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 develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

Ancillary and Support Services

In Section I, page 106, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 107-108, the applicant explains how each ancillary and support service is or will be 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.

Coordination

In Section I, page 108, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant provides letters of support from area providers stating their support for the project and their interest in utilizing the proposed facility.
- VDSC Coast's commitment to utilize its established relationships with agencies that provide "*safety nets.*"

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 develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

In Section K, page 111, the applicant states that the project involves constructing 7,866 square feet of new space. Line drawings are provided in Exhibit K.1.

On pages 114-115, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. Supporting documentation is provided in Exhibit K.4. The site appears to be suitable for the proposed ASF based on the applicant's representations and supporting documentation.

On page 112, 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 facility will be developed on land currently available and appropriately zone with access to water and sewer, which will reduce delay and raw costs associated with developing the site.

- The ASF will be designed by Valleygate partners and architects that have experience developing other Valleygate facilities.
- The applicant plans to incorporate concepts in the design that promote efficient infection control and productivity.

On page 113, 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's revenue projections are based on charity, self-pay, Medicare, and Medicaid payor mix consistent with the proposed target area.
- The applicant is proposing to offer surgical services at lower costs as opposed to services provided in a hospital setting where a patient can incur other costs.

On page 113, 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

The applicant is proposing to develop a new facility, therefore, there is no historical payor mix to report. However, the applicant provides the payor mix for VDSC Fayetteville.

VDSC Fayetteville Historical Payor Mix Last full FY, CY 2021	
Payor Source	Percent of Total
Self-Pay	0.7%
Charity Care	4.6%
Medicare*	0.1%
Medicaid*	77.2%
Insurance*	6.1%
Other (WC, Tricare, VA)	11.3%
Total	100.0%

Source: Section L, page 120

*Including any managed care plans.

In Section L, page 121, the applicant provides the following comparison.

VDSC Fayetteville	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area*
Female	46.0%	49.7%
Male	54.0%	48.4%
Unknown	N/A	N/A
64 and Younger	100.0%	80.1%
65 and Older	0.0%	18.0%
American Indian	N/A	3.4%
Asian	N/A	1.5%
Black or African American	38.0%	26.7%
Native Hawaiian or Pacific Islander	N/A	0.2%
White or Caucasian	23.0%	63.4%
Other Race**	36.0%	4.8%
Declined / Unavailable	0.0%	0.0%

*The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>.

**Includes American Indian, Asian, Native Hawaiian or Pacific islander, Hispanic/Latinx, and other races.

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 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

In Section L, page 122, the applicant states that the facility is not obligated to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 122, the applicant states:

“For information purposes, VDSC Fayetteville met or exceeded all medically underserved requirements in Table 6E of the SMFP, as is demonstrated in annual reports on the file with the NC DHSR Healthcare Planning Section.”

In Section L, page 122, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

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 123, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

VDSC Coast Projected Payor Mix Third Full FY, CY 2028	
Payor Source	Percent of Total
Self-Pay	0.7%
Charity Care	4.6%
Medicare*	0.1%
Medicaid*	77.2%
Insurance*	6.1%
Other (WC, Tricare, VA)	11.3%
Total	100.0%

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.7% of total services will be provided to self-pay patients, 4.6% to charity care patients, 0.1% to Medicare patients and 77.2% to Medicaid patients.

On page 123, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the historical payor mix of existing Valleygate DSCs for the dental/oral surgical service component.

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 reasons stated above.

- (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 125, the applicant adequately describes the range of means by which patients will have access to the proposed services.

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 develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

In Section M, page 126, 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 have access to the facility for training purposes based on the following:

- Valleygate DSCs has established relationships with schools and training programs which will include the proposed VDSC Coast.
- The applicant provides documentation of Valleygate Holdings' existing training agreements with several education institutions.

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 develop a new ASF by relocating no more than one OR with one procedure room upon project completion.

The applicant was approved to develop a dental and oral ASF with two operating rooms in Fayetteville, pursuant to the 2016 SMFP Dental Single Specialty Ambulatory Surgical Facility Demonstration Project (Project M-11176-16). The demonstration project allowed the certificate of need holder to develop dental OR facilities in different regions across the state to avoid a concentration of dental ORs in one service area. The applicant is proposing to relocate one Dental Single Specialty Ambulatory Surgical Facility operating room from an existing Demonstration Project facility in Region 3. The 2022 SMFP states that Region 3 consists of counties in Health Service Area (HSA) V and VI.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 128, the applicant states:

“VDSC Coast will promote competition in the service area because it will provide a new distinct geographical location close to a large population – mostly children – in need of dental care that requires general anesthesia...The project will represent a more convenient opportunity, especially for residents of the southeastern coastal area of North Carolina to access a Valleygate DSC.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 129, the applicant states:

“Because many healthcare insurance policies, including Medicare Part B, cover both hospitals and licensed surgical centers, and require coinsurance for outpatient procedures, the ambulatory surgical centers are less expensive for patients, who often pay out of pocket for the copayment and/or non-covered dental codes. This applies to self-pay patients and private pay dental policyholders, as well. For these patients, surgeries in the dental single specialty dental ambulatory surgical facility will be significantly less costly to both the payer and to the patient.”

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

Regarding the impact of the proposal on quality, in Section N, page 130, the applicant states:

“Protocols and processes at VDSC Coast will match the needs of its patients better than general acute care hospital or multi-specialty ambulatory surgical facilities...Valleygate DSCs have a specific focus on dental procedures, especially for children, and therefore offer unique features to enhance quality and patient satisfaction...”

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 N, page 131, the applicant states:

“Competitive access features include cost, charity care levels, Medicaid, and military payment acceptance, and service features.”

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

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

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

In Section Q, page 189, the applicant identifies the ambulatory surgical facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of four of this type of facility located in North Carolina.

In Section O, page 134, the applicant states that, during the 18 months immediately preceding the submittal of the application, the Division of Health Service Regulation has not determined any situation resulting 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 quality of care had not occurred in any 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 all of the facilities, 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.

NA

The applicant does not propose to increase the number of operating rooms in the service area, therefore, the criteria and standards for surgical services and operating rooms do not apply.