

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: March 29, 2023

Findings Date: March 29, 2023

Project Analyst: Gregory F. Yakaboski

Co-Signer: Micheala Mitchell

Project ID #: H-12284-22

Facility: Southern Pines Surgery Center

FID #: 220730

County: Moore

Applicants: Southern Pines Surgery Center Properties, LLC

Southern Pines Surgery Center, LLC

Pinehurst Surgical Clinic Realty, LLC

Project: Acquire and relocate no more than two ORs from Surgery Center of Pinehurst to develop a new ASC with four procedure rooms

REVIEW CRITERIA

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

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

C

Southern Pines Surgery Center Properties, LLC, Southern Pines Surgery Center, LLC, and Pinehurst Surgical Clinic Realty, LLC (hereinafter referred to as “the applicant”) propose to develop a new ambulatory surgery facility (ASF), Southern Pines Surgery Center (SPSC or Southern Pines ASF) by relocating no more than 2 operating rooms (ORs) from Surgery Center of Pinehurst (SCoP) to develop a new ASF with two ORs and four procedure rooms specializing in orthopedics.

SCoP is an existing multi-specialty ASF in Moore County with 6 ORs and two procedure rooms. Southern Pines ASF does not yet exist. Upon project completion:

- Surgery Center of Pinehurst will have 4 ORs and four procedure rooms and
- Southern Pines ASF will have 2 ORs and four procedure rooms.

Background

As stated above, there are three applicants. On page 24 of the application each of the three applicants is described in detail.

- The applicant, Southern Pines Surgery Center, LLC, has two member companies: FirstHealth of the Carolinas, Inc. (25.0%) and PSC OCOE, LLC (75.0%).
- The applicant Southern Pines Surgery Center Properties, LLC, has two member companies: FirstHealth of the Carolinas, Inc. (25.0%) and Pinehurst Surgical Clinic Realty, LLC (75.0%).
- The applicant, Pinehurst Surgical Clinic Realty, LLC, is the landowner.
- The Agency received a letter, via email, dated December 15, 2022, stating in part, that FirstHealth of the Carolinas, Inc. (FirstHealth), is a member of two of the applicants, Southern Pines Surgery Center, LLC and Southern Pines Surgery Center Properties, LLC. In the letter FirstHealth further stated,

“The FirstHealth Board has determined that FirstHealth no longer wishes to participate in this application and provide its proportionate share of funding to develop the project at this time. Accordingly, FirstHealth respectfully requests that the Agency immediately discontinue its review and take no further action on this application.”

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, no need determinations are applicable to this review.

Policies

There is one policy in the 2022 SMFP applicable to the review.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on pages 30-31 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 capital expenditure of the project is over \$4 million. In Section B, page 27, the applicant describes its plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

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

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

- The applicant does not propose to develop any beds, services, or equipment for which there is a need determination in the 2022 SMFP.
- The applicant does not propose to add any new ORs to the inventory of ORs in Moore County.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 based on the following reason:
 - The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

NC

The applicant proposes to develop a new ASF, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

Patient Origin

On page 49, the 2022 SMFP states, “An OR’s service area is the single or multicounty grouping shown in Figure 6.1.” In Figure 6.1, page 55 of the 2022 SMFP, Moore County is shown as a single operating room service area. The proposed Southern Pines ASF would be in Moore County. Thus, the service area for this application is Moore County. Facilities may also serve residents of counties not included in the service area.

The following table illustrates projected patient origin for the first three project years (PYs) after project completion. Southern Pines ASF proposes to operate on a fiscal year (FY) which is the calendar year (CY).

Operating Rooms: Southern Pines ASF Projected Patient Origin

County	1st PY CY2025		2nd PY CY2026		3rd PY CY2027	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Moore	1,180	53.7%	1,180	53.7%	1,180	53.7%
Lee	291	13.2%	291	13.2%	291	13.2%
Cumberland	288	13.1%	288	13.1%	288	13.1%
Hoke	209	9.5%	209	9.5%	209	9.5%
Richmond	129	5.9%	129	5.9%	129	5.9%
Other NC Counties	102	4.7%	102	4.7%	102	4.7%
Total	2,200*	100.0%	2,200*	100.0%	2,200*	100.0%

Source: Table on page 37 of the application.

*Note: Might not foot due to rounding.

Procedure Rooms: Southern Pines ASF Projected Patient Origin

County	1st PY CY2025		2nd PY CY2026		3rd PY CY2027	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Moore	554	53.7%	957	53.7%	1,225	53.7%
Lee	136	13.2%	235	13.2%	302	13.2%
Cumberland	135	13.1%	233	13.1%	299	13.1%
Hoke	98	9.5%	170	9.5%	217	9.5%
Richmond	61	5.9%	105	5.9%	134	5.9%
Other NC Counties	48	4.7%	83	4.7%	106	4.7%
Total	1,033*	100.0%	1,783	100.0%	2,283	100.0%

Source: Table on page 38 of the application.

**Note: Might not foot due to rounding.

Entire Facility: ORs and Procedure Rooms: Southern Pines ASF Projected Patient Origin

County	1st PY CY2025		2nd PY CY2026		3rd PY CY2027	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Moore	1,735	53.7%	2,137	53.7%	2,405	53.7%
Lee	427	13.2%	526	13.2%	592	13.2%
Cumberland	423	13.1%	521	13.1%	587	13.1%
Hoke	308	9.5%	379	9.5%	427	9.5%
Richmond	190	5.9%	234	5.9%	263	5.9%
Other NC Counties	150	4.7%	185	4.7%	208	4.7%
Total	3,233	100.0%	3,983*	100.0%	4,483*	100.0%

Source: Table on page 38 of the application.

**Note: Might not foot due to rounding.

In Section C, page 37, and Section Q, the applicant provides the assumptions and methodology used to project its patient origin.

The applicant’s assumptions as to the percentage of patients originating from certain North Carolina counties are reasonable and adequately supported because they are based on the 19-month orthopedic patient origin for Surgery Center of Pinehurst from which all of the orthopedic cases and orthopedic surgeons are moving over.

However, the applicants assumptions regarding the projected number of overall patients are not reasonable and adequately supported as the overall number of patients is based on projected utilization and, as discussed below, the applicant’s projected utilization was not reasonable and adequately supported.

Analysis of Need

In Section C, pages 40-47, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- Orthopedic Center of Excellence (see page 41).
- Population Growth Trends
 - Moore County (see page 42).
 - Expanded Service Area (see pages 43-44).
- Moore County Life Expectancy (see page 45).
- Ambulatory Surgical Facility Industry Growth (see pages 46-47).

The information is reasonable and adequately supported based on the application, exhibits to the application and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- The applicant provides information regarding population growth and aging in Moore County and the extended service area of Cumberland, Hoke, Lee, and Richmond counties based on data from the North Carolina Office of State Budget and Management (NCOSBM).
- The applicant states that the 65+ age cohort accounts for more than 60.0 percent of the cases projected to be performed at Southern Pines ASF in the third project year and that in Moore County the 65+ age cohort is projected to increase by 25.6% over the next ten years and by 22.7% in the extended service area over the same period of time.
- The applicants are planning to develop an Orthopedic Center of Excellence capable of, among other things handling more complex orthopedic cases such as total joint replacement. The square footage of five of the six ORs at SCoP is below the size needed to handle more complex orthopedic cases which, when these ORs were developed, were not contemplated nor permitted to be performed in freestanding ASFs.
- The Project Analyst notes that while the performance standard for operating rooms promulgated in 10A NCAC 14C .2103(a) does not apply, using the last full year of historical data (FY2021) for the number of orthopedic cases performed at SCoP and shifting them over to Southern Pines ASF even with no growth in utilization from FY2021 through the third project year (CY2027) and not factoring in the increasing complexity (and thus surgical times) for orthopedic cases performed at ASFs, the surgical hours meet the performance standards for two ORs at Southern Pines ASF as shown in the table below.

Southern Pines ASF: Projected OR Utilization

Row	Operating Rooms	Year 1 CY 2025	Year 2 CY 2026	Year 3 CY 2027
A	Inpatient Surgical Cases	0	0	0
B	Inpatient Surgical Case Times (in Minutes)	0	0	0
C	Inpatient Surgical Hours	0	0	0
D	Outpatient Surgical Cases	1,840	1,840	1,840
E	Outpatient Surgical Case Times (in Minutes)	70.2	70.2	70.2
F	Outpatient Surgical Hours	2,153	2,153	2,153
G	Total Surgical Cases (Row A + Row D)	1,840	1,840	1,840
H	Total Surgical Hours (Row C + Row F)	2,153	2,153	2,153
I	Group Assignment	6	6	6
J	Standard Hours per OR per Year	1,312	1,312	1,312
K	Number of ORs Needed* (Row H / Row J)	1.64	1.64	1.64
L	Existing and Approved ORs**	0	0	0
M	OR Surplus/ (Deficit)*	(1.64)	(1.64)	(1.64)
N	ORs Applied for in this Application	2	2	2

Source: Section Q, Form C.

Note: Totals might not foot due to rounding.

*Rounding: If 0.50 or higher rounded to the next highest whole number per the 2022 SMFP, page 54.

**Number of ORs Southern Pines ASF will have, existing and approved, after completion of the proposed project.

Projected Utilization

In Section Q, Form 3.b, the applicant provides projected utilization at Southern Pines ASF, as illustrated in the following tables.

Southern Pines ASF: Projected OR Cases

Surgical Cases	1 st PY CY2025	2 nd PY CY2026	3 rd PY CY2027
# of ORs	2	2	2
OP Cases	2,200	2,200	2,200
Total Cases	2,200	2,200	2,200

Southern Pines ASF: Procedure Room Cases

Procedure Room Cases	1 st PY CY 2025	2 nd PY CY 2026	3 rd PY CY 2027
# of Procedure Rooms	4	4	4
# of Procedures	1,033	1,783	2,283

In Section Q, the applicant provides the assumptions and methodology used to project OR utilization, which is summarized below.

Step #1) The applicant provides, by specialty, the historical, interim, and projected OR cases at Surgery Center of Pinehurst, as show in the table below.

Surgery Center of Pinehurst-Surgical Cases: Historical, Interim and Projected

	Historical	Interim	Interim	Interim	PY1	PY2	PY3
	FY2021*	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Dental	32	32	32	33	33	33	34
ENT	835	885	936	1,087	1,293	1,417	1,473
General Surgery & Bariatrics	372	448	524	631	855	918	957
GYN	502	565	628	687	756	785	831
Neurology/Spine	57	58	60	63	66	69	73
Ophthalmology	633	811	989	1,237	1,607	1,755	1,866
Orthopedics	1,840	1,971	2,102	2,233	0	0	0
Plastic	323	355	388	392	396	400	404
Podiatry	174	172	170	171	173	175	177
Urology	478	556	633	761	983	1,051	1,146
Vascular	0	13	27	52	146	205	274
Total OR Cases	5,246	5,868	6,489	7,346	6,307	6,809	7,232

*The project analyst is unable to ascertain what period of time "FY" corresponds to such as 10/1/___ to 9/30/___ or calendar year, etc.

The applicant states in Section Q that the projections of surgical cases at SCoP shown in the table above were developed based on the following variables:

- FY2021 surgical cases by specialty,
- existing physicians,
- new physician hires,
- surgical cases/physician,
- percentage of new physician surgical cases performed at SCoP, and
- surgical case annual growth rate.

Step #2) The applicant projected OR cases at the proposed ASF, Southern Pines Surgery Center

	FY2025*	FY2026	FY2027
OR Cases	2,200	2,200	2,200

*FY represents a calendar year.

The applicant reached its OR case projection at Southern Pines ASF for the first three project years as follows:

- All orthopedic cases will be shifted from SCOP to Southern Pines ASF. (See Row D in Table below)
- Southern Pines ASF will be developed as an Orthopedic Center of Excellence which will encourage the performance of more complex surgical cases.

- In Project Year 1: The surgeons at Southern Pines ASF fill perform 4 additional cases per day (the applicant states that this is equivalent to 1,000 additional orthopedic cases per day). (See Row E, PY1, in Table below).
- In Project Year 2: The surgeons at Southern Pines ASF fill perform 3 additional cases per day (the applicant states that this is equivalent to 750 additional orthopedic cases per day). (See Row E, PY2, in Table below).
- In Project Year 3: The surgeons at Southern Pines ASF fill perform 4 additional cases per day (the applicant states that this is equivalent to 500 additional orthopedic cases per day). (See Row E, PY3, in Table below).

		Interim	PY1	PY2	PY3
Row		FY2024	CY2025	CY2026	CY2027
A	SCoP				
B	Orthopedic Surgical Cases	2,233	0	0	0
C	Southern Pines ASF				
D	Orthopedic Surgical Cases**	0	2,233	3,233	3,983
E	Additional cases per day		1,000	750	500
F	Total Cases**		3,233	3,983	4,483
G	OR Cases from the Total Cases in Row F		2,200	2,200	2,200
H	Procedure Room Cases***		1,033	1,783	2,283

* The project analyst is unable to ascertain what period of time “FY” corresponds to such as 10/1/___ to 9/30/___ or calendar year, etc.

**The 2,233 OR cases in Row D (PY1) are all the orthopedic surgical cases projected to be performed at SCoP in CY2024 “shifted” (with no growth) to Southern Pines ASF. Then, the total cases from Row F (PY1) becomes the number of cases in Row D (PY2). Then the total cases from Row F (PY2) becomes the number of cases in Row D (PY3).

**Row F = Row D + Row E.

***Row H = Row F – Row G.

However, projected utilization is not reasonable and adequately supported based on the application, exhibits to the application and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- In projecting total surgical cases at SCoP that applicant states it relied on six variables: FY2021 surgical cases by specialty; existing physicians; new physician hires; surgical cases/physician; percentage of new physician surgical cases performed at SCoP; and surgical case annual growth rate. However, other than providing the historical number of surgical cases by specialty (and in total) for FY2021 the applicant provided no details or specifics to either explain or support the other five variables.
- Based on data from past SMFP’s SCoP reported decline in total OR cases in the three years pre-COVID [10/1/16-9/30/17 to 10/1/18-9/30/19] from 5,607 total OR cases to 5,299 total OR cases which equates to a -2.79% CAGR.

SCoP Historical OR Cases					
	2019 SMFP	2020 SMFP	2021 SMFP	2022 SFMP	2023 SMFP
	10/1/16- 9/30/17	10/1/17-9/30/18	10/1/18 – 9/30/19	10/1/19-9/30/20	10/1/20-9/30/21
OR Cases*	5,607	5,488	5,299	4,912	4,995
2-Year CAGR			-2.79%		

- The applicant states that in FY2006 918 orthopedic cases were performed at SCoP increasing to 1,785 orthopedic cases performed at SCoP in FY2021. That is a CAGR of 4.53% over that 15-year period. [See page 30 of the application] However, the applicant projects orthopedic cases will increase at SCoP from 1,840 OR cases in FY2021 to 2,233 OR cases in FY2024 a 3-Year CAGR of 6.67%. The applicant provides not support for this three-year CAGR of 6.67% at SCoP in orthopedic surgical cases.
- The applicant projects 3,233, 3,983 and 4,483 orthopedic surgical cases respectively at Southern Pines ASF for the first three project years. The last year of historical data [FY2021] for surgical cases at SCoP showed 1,840 surgical cases. Six years later, in the third project year [CY2027], the applicant is projected 4,483 orthopedic surgical cases will be performed at Southern Pines ASF (2,200 in the two ORs and 2,483 in the procedure rooms). That equates to a CAGR of 16.0% for orthopedic surgical cases. The applicant did not provide the assumptions and methodology to support a CAGR of 16.0% from FY2021 through the third project year.
- The applicant provided no explanation as to why projected OR cases at Southern Pines ASF are projected to be 2,200 OR cases in the first project year and held flat through the third project year (CY2027).
- The applicant provided no support for its projection as to the number of additional orthopedic surgical cases its surgeons would perform in each of the first three years [See Row E in the table above and the analysis regarding Row E discussed above.]
- The applicants projected utilization for OR cases and procedure room cases at Southern Pines ASF rely initially on data from SCoP, which, as discussed above, is not reasonable and adequately supported, and then projected utilization for project years two and three rely on, and are based, in part, on the projected utilization for surgical cases to be performed in both OR cases and procedure room cases from project year one, and project year one is not reasonable and adequately supported.

Access to Medically Underserved Groups

In Section C.6, page 53, the applicant states:

“SPSC will comply with applicable Federal civil rights laws ... SPSC will not exclude people or treat them differently because of age, race, ethnicity, religion, culture, language, physical or mental disability, socioeconomic status, sex, sexual orientation and gender identity or expression.”

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

Medically Underserved Groups	Percentage of Total Patients Operating Room Services
Low-income persons	9.1%
Racial and ethnic minorities	22.4%
Women	58.4%
Persons with Disabilities	Not Tracked.
Persons 65 and older	65.0%
Medicare beneficiaries	28.4%
Medicaid recipients	8.4%

Source: Table on page 53 of the application.

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 not 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.

NC

The applicant proposes to develop a new ASF, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

In Section D, pages 60-62, 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.

- Southern Pines ASF and SCoP will be less than four miles apart and all orthopedic surgical procedures are projected to be shifted from SCoP to Southern Pines ASF. (See page 60 of the application)

- SCoP will convert the two vacated ORs to procedure rooms for a total of four ORs and four procedure rooms from six ORs and two procedure rooms. (See page 60 of the application)
- Due to the availability of the procedure rooms the overall surgical capacity of SCoP will not decrease. (See page 61 of the application)
- SCoP will continue to provide outpatient surgical services in the following specialties (See page 62 of the application):
 - ENT
 - General Surgery
 - Gynecology
 - Ophthalmology
 - Pain Management
 - Pediatric Ophthalmology
 - Plastic Surgery
 - Podiatry
 - Urology
- SCoP has determined that the four remaining ORs and four procedure rooms will be sufficient to accommodate expected growth in demand. (See page 62 of the application)

However, the information is not reasonable and adequately supported based on the application, exhibits to the application and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- Projected utilization at SCoP, as discussed below, is not reasonable and adequately supported.
- The surgical specialties described on page 62 of the application do not match with the list of surgical specialties in Section Q, as shown in the table below regarding historic, interim and projected utilization at SCoP.

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

Surgery Center of Pinehurst-OR Cases: Historical, Interim and Projected

	Historical	Interim	Interim	Interim	PY1	PY2	PY3
	FY2021*	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Dental	32	32	32	33	33	33	34
ENT	835	885	936	1,087	1,293	1,417	1,473
General Surgery & Bariatrics	372	448	524	631	855	918	957
GYN	502	565	628	687	756	785	831
Neurology/Spine	57	58	60	63	66	69	73
Ophthalmology	633	811	989	1,237	1,607	1,755	1,866
Orthopedics	1,840	1,971	2,102	2,233	0	0	0
Plastic	323	355	388	392	396	400	404
Podiatry	174	172	170	171	173	175	177
Urology	478	556	633	761	983	1,051	1,146
Vascular	0	13	27	52	146	205	274
Total OR Cases	5,246	5,868	6,489	7,346	6,307	6,809	7,232

* The project analyst is unable to ascertain what period of time "FY" corresponds to such as 10/1/___ to 9/30/___ or calendar year, etc.

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

The applicant states that the projections of surgical cases at SCoP shown in the table above were developed based on the following variables:

- FY2021 surgical cases by specialty,
- existing physicians,
- new physician hires,
- surgical cases/physician,
- percentage of new physician surgical cases performed at SCoP, and
- surgical case annual growth rate.

However, projected utilization is not reasonable and adequately supported based on the application, exhibits to the application and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- In projecting total surgical cases at SCoP that applicant states it relied on six variables: FY2021 surgical cases by specialty; existing physicians; new physician hires; surgical cases/physician; percentage of new physician surgical cases performed at SCoP; and surgical case annual growth rate. However, other than providing the historical number of surgical cases by specialty (and in total) for FY2021 the applicant provided no details or specifics to either explain or support the other five variables.
- Based on data from past SMFP's SCoP reported decline in total OR cases in the three years pre-COVID [10/1/16-9/30/17 to 10/1/18-9/30/19] from 5,607 total OR cases to 5,299 total OR cases which equates to a -2.79% CAGR.
-

SCoP Historical OR Cases					
	2019 SMFP	2020 SMFP	2021 SMFP	2022 SFMP	2023 SMFP
	10/1/16- 9/30/17	10/1/17-9/30/18	10/1/18 – 9/30/19	10/1/19-9/30/20	10/1/20-9/30/21
OR Cases*	5,607	5,488	5,299	4,912	4,995
2-Year CAGR			-2.79%		

- The applicant only provided one year (FY2021) of historical OR cases for each surgical specialty identified as being provided at SCoP. The applicant provides no detailed or documented support for projecting growth in utilization in any of the surgical specialties other than the generic list of variables listed above.

Access to Medically Underserved Groups

In Section D, pages 61-62, the applicant states,

“The relocation of two ORs from SCoP to SPSC will result in the existing ASF having four licensed operating rooms and four unlicensed procedure rooms. The overall surgery capacity of SCoP will not decrease due to the availability of the procedure rooms.

SCoP will continue to increase overall surgical utilization and expand access to healthcare services for the medically underserved by providing surgical procedures to those who are indigent, lack health insurance, or are otherwise medically underserved.

...

SCoP will continue to serve patients of any age, race, color, religion, ethnicity, gender, disability, or ability to pay. SCoP has determined that the four remaining ORs and four procedure rooms will be sufficient to accommodate expected growth in demand.”

However, the applicant does not adequately demonstrate that the needs of medically underserved groups that will continue to use the operating room services will be adequately met following completion of the project because the applicant did not reasonably and adequately demonstrate that sufficient ORs remained at SCoP.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion for the following reasons:

- The applicant does not adequately demonstrate that the needs of the population currently using the services to be reduced will be adequately met following project completion for all the reasons described above.

- The applicant does not adequately demonstrate 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.

NC

The applicant proposes to develop a new ASF, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will have two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

In pages 65-66, 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 the Status Quo*-The 2 ORs that are to be acquired and relocated to Southern Pines ASF as part of this proposed project are currently located in SCoP. SCoP is landlocked and cannot be expanded. The OR rooms, designed on the most recent information in 2003, are 400 square feet (5 of the ORs) and 650 square feet (1 of the ORs). Many types of surgeries that were inpatient only in 2003 are now outpatient. However, the ORs for these types of surgical cases require 600-800 square feet. Therefore, the goal of establishing a Center of Excellence in orthopedic surgical procedures ... cannot be achieved at the current location. Therefore, maintaining the status quo is not the most effective alternative.
- *Renovate Existing Space/ Construct a New ASF*- The applicant states that, in Moore County, the applicant could not locate a building suitable for a 2-OR, 4-procedure room ASF that could be acquired and renovated. Therefore, the applicant determined that this was not the most effective alternative.
- *Locate the ASF in Moore County in a Different Location*- The applicant could not identify a location in Moore County that was better than the proposed Morganton Park location in Southern Pines based on such factors as: population growth in Moore County; proximity to the Pinehurst Surgical Clinic Morganton Park medical practice, FirstHealth Moore Regional Hospital and transportation corridors. Therefore, the applicant determined that another location was not the most effective alternative.

On pages 67-68, the applicant states that its proposal is the most effective alternative because the existing location of the ORs is landlocked and cannot be expanded.

- The ORs (five of the six) at the existing facility are too small to accommodate many of the surgical cases that were once inpatient only and now can be performed in an outpatient setting.
- The proposed Morganton Park location is close to major traffic corridors, FirstHealth Moore Regional Hospital (in case a transfer is required), the physician practices, and the Pinehurst Surgical Clinic Morganton Park practice.

- The applicant could not locate another suitable building in Moore County that it could acquire and renovate to accommodate the proposed 2-OR 4-procedure room facility.
- Constructing a new facility in a medical park permits the applicant the opportunity to establish a Center of Excellence in orthopedic surgery procedures.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be an effective alternative to meet the need.

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 not conforming to this criterion for the reasons stated above. Therefore, the application is denied.

- (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.

NC

The applicant proposes to develop a new ASF, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will have two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

Capital and Working Capital Costs

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

Site Costs	\$1,040,000
Construction Costs	\$13,690,000
Miscellaneous Costs	\$13,578,000
Total	\$28,308,000

In Section F.1, page 67, Form F.1a, and Exhibit F.1 (Tab 5), the applicant provides the assumptions used to project the capital cost. However, the applicant does not adequately

demonstrate that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant provides a cost estimate for all the construction, site, and architect fees. See Exhibit F.1. However, the detailed written cost estimate for all the construction, site and architect fees does not indicate who (or their qualifications) developed the cost estimate nor does the applicant state who developed the cost estimate.
- The applicant provides a detailed cost equipment cost estimate. However, the detailed written cost estimate for all the equipment costs does not indicate who (or their qualifications) developed the cost estimate nor does the applicant state who developed this written cost estimate.

In F.3, page 69, the applicant projects that start-up costs will be \$756,253 and initial operating expenses will be \$5,000,000 for a total working capital of \$5,756,253. On page 70 of the application, 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 information regarding projected start-up costs and initial operating expenses provided on pages 69-70 of the application.

Availability of Funds

In Section F.2, page 67, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Southern Pines Surgery Center Properties, LLC	Southern Pines Surgery Center, LLC	Total
Loans	\$0	\$0	\$0
Accumulated reserves or OE *	\$15,458,000	\$11,650,000	\$27,108,000
Bonds	\$0	\$0	\$0
Other (Up-Fit Allowance Per Lease Term Sheet in Section Q)	\$1,200,000	\$0	\$1,200,000
Total Financing	\$16,658,000	\$11,650,000	\$28,308,000

In Section F.3, page 71, the applicant states that the working capital needs of the project will be funded by Southern Pines Surgery Center, LLC, as shown in the table below.

Sources of Financing for Working Capital	Amount
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner’s Equity	\$5,756,253
Lines of credit	\$0
Bonds	\$0
Total *	\$5,756,253

In Section F.2, page 68, the applicant states that *“SPSC Properties will fund its portion of the capital cost through Cash transfers from its two members, Pinehurst Surgical Clinic Realty, LLC and FirstHealth of the Carolinas. SPSC will fund its portion of the capital cost through Cash transfers from its two members, PSC OCOE, LLC and FirstHealth of the Carolinas.”*

In Exhibit F.2, the applicant adequately documented that Pinehurst Surgical Clinic Realty, LLC, PSC OCOE, LLC and FirstHealth of the Carolinas had sufficient funds and would provide sufficient funds to SPSC Properties and SPSC respectively, to cover their respective portions of the capital costs of the projects. In addition, Exhibit F.2 also contains documentation that those funds would be used for the capital costs of the proposed project.

However, by letter dated December 15, 2022, FirstHealth of the Carolinas stated, in part:

“The FirstHealth Board has determined that FirstHealth no longer wishes to participate in this application and provide its proportionate share of funding to develop the project at this time. Accordingly, FirstHealth respectfully requests that the Agency immediately discontinue its review and take no further action on this application.”

In Section F.3, page 72, the applicant states that *“SPSC will fund the working capital cost through Cash transfers from its two members, PSC OCOE, LLC and FirstHealth of the Carolinas.”*

In Exhibit F.2, the applicant adequately documented that PSC OCOE, LLC and FirstHealth of the Carolinas had sufficient funds and would provide sufficient funds to SPSC for the working capital costs of the projects. In addition, Exhibit F.2 also contains documentation that those funds would be used for the capital costs of the proposed project. However, by letter dated December 15, 2022, FirstHealth of the Carolinas stated, in part:

“The FirstHealth Board has determined that FirstHealth no longer wishes to participate in this application and provide its proportionate share of funding to develop the project at this time. Accordingly, FirstHealth respectfully requests that the Agency immediately discontinue its review and take no further action on this application.”

The applicant does not adequately demonstrate the availability of sufficient funds for the capital and working capital needs of the project based on the December 15, 2022 letter from FirstHealth stating that FirstHealth would not provide its proportionate share of the capital and working capital costs of the project.

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 in the second and third full fiscal years following completion of the project, as shown in the table below.

Southern Pines Surgery Center: OP Surgery

	1st PY CY2025	2nd PY CY2026	3rd PY CY2027
Total Surgical Cases*	3,233	3,983	4,483
Total Gross Revenues (Charges)	\$53,198,207	\$68,488,733	\$80,555,361
Total Net Revenue	\$10,107,659	\$13,012,859	\$15,305,519
Average Net Revenue per Surgical Case	\$3,126	\$3,267	\$3,414
Total Operating Expenses (Costs)	\$10,493,713	\$11,501,338	\$12,419,458
Average Operating Expense per Surgical Case	\$3,246	\$2,888	\$2,770
Net Income	<\$386,054>	\$1,511,521	\$2,886,061

*Surgical Cases include both OR and Procedure room cases.

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant does not adequately demonstrate that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Projected utilization is not 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 not conforming to this criterion for the following reasons:

- The applicant does not adequately demonstrate that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately does not demonstrate availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.
- The applicant does not adequately 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, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

On page 49 of the application, the 2022 SMFP states, “An OR’s service area is the single or multicounty grouping shown in Figure 6.1.” In Figure 6.1, page 55 of the 2022 SMFP, Moore County is shown as a single operating room service area. The proposed Southern Pines ASF would be in Moore County. Thus, the service area for this application is Moore County. Facilities may also serve residents of counties not included in the service area.

The following table identifies the existing and approved inpatient (IP), outpatient (OP), and shared operating rooms located in Moore County, and the IP and OP case volumes for each provider, from pages 63 and 77 of the 2022 SMFP.

	IP ORs	OP ORs	Shared ORs	Excluded C-Sec, Trauma, Burn	CON Adjustments	IP Surgery Cases	OP Surgery Cases	Group
The Eye Surgery Center of the Carolinas	0	3	0	0	0	0	5,830	5
Surgery Center of Pinehurst	0	6	0	0	0	0	4,912	6
FirstHealth Moore Regional Hospital and Pinehurst Treatment Center	2	0	15	1	0	5,192	6,480	3
Total Moore County ORs	2	9	15	1	0			

Source: 2022 SMFP, pages 63 and 77.

In Section G, page 78, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved OR services in the Moore County service area. The applicant states:

“SPSC proposes to acquire two ORs from SCoP and relocate them within four miles of their current location in Moore County. Although the two ORs are currently utilized by all surgical specialties at SCoP, there are enough orthopedic cases to fill two ORs with the remaining 4 ORs fully utilized by the surgical specialties staying at SCoP. The development of SPSC will not result in an unnecessary duplication of existing or approved health service facilities and will be the first Orthopedic Center of Excellence in the Sandhills region.”

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

- the applicant adequately demonstrates that the proposed project will not increase the number of ORs in the Moore County OR service area, and
- the applicant adequately demonstrates that the two existing, licensed ORs being relocated are currently located in a freestanding ASF and will be relocated to a freestanding ASF within the same OR service area.
- the applicant demonstrates that the proposed ASF is needed in the service area. See the discussion regarding need found in Criterion (3) and incorporated herein by reference.

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, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will have two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

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

Projected FTE Positions

Positions	1 st PY CY2025	2 nd PY CY2026	3 rd PY CY2027
Business Office Coordinator	1.0	1.0	1.0
Director of Nursing	1.0	1.0	1.0
Executive Director	1.0	1.0	1.0
Insurance Verification Specialist	1.0	1.0	1.0
Medical Records Technician	2.0	2.0	2.0
Nursing Assistant	2.0	2.0	2.0
Surgical Technologist	4.0	6.0	8.0
Orthopedic Care Coordinator	1.0	1.0	1.0
Purchasing Coordinator	1.0	1.0	1.0
Radiology Technician	1.0	1.0	1.0
Receptionist/Billing Secretary	1.0	1.0	1.0
Staff Nurse- OR and Pre-op & Recovery	14.0	16.0	18.0
Sterile Processing Technician	4.0	5.0	5.0
Total	34.0	39.0	43.0

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 Form F.3b. In Section H.2 and H.3, pages 80-82, 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.

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, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will have two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

Ancillary and Support Services

In Section I.1, page 84, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 85-86, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1 (Tab 10). The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- the applicant provides a letter from the manager of Southern Pines ASF identifying all of the ancillary and support services that will be provided. See Exhibit I.1.
- Exhibit I.1 also contains a letter from Pinehurst Anesthesia Associates indicating support for the proposed project and that they would provide anesthesia services to the proposed facility.

Coordination

In Section I.2, page 86, the applicant describes its efforts to develop relationships with other local health care and social service providers.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant states that Southern Pines ASF does not have previous working relationships with existing the local healthcare and social service providers as Southern Pines ASF is not an existing ASF.
- The applicant states that PSC OCOE, one of its members, is the largest surgical medical practice in Moore County.
- The applicant also states that FirstHealth, another of its members, is the largest hospital in Moore County. [The Project Analyst notes that per a letter dated December 15, 2022, FirstHealth states that it is no longer a part of the proposed project.]
- The Project Analyst notes that despite the withdrawal of FirstHealth from the proposed project the fact the relationship of PSC OCOE, LLC demonstrates that the proposed Southern Pines ASF will be coordinated with the existing healthcare system.

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.

NC

The applicant proposes to develop a new ASF, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will have two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

In Section K.1, page 89, the applicant states that the project involves constructing 24,000 square feet of new space. Line drawings are provided in Exhibit K.1 (Tab 11).

On pages 91-92 of the application, 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 (Tab 12). The site appears to be suitable for the proposed ASF based on the applicant's representations and supporting documentation.

On pages 65-66 and 90 of the application, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal. However, the applicant does not adequately demonstrate that the cost, design and means of construction represents the most reasonable alternative based on the following:

- The applicant states that the current project has a project architect who, after reviewing the codes and construction requirements provided an estimate of project construction, facility up-fit and related costs. However, while an estimate was provided there was no indication as to who, or what company or firm, prepared the written estimate.

On page 90, 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 proposed construction is needed in relation to the development of SPSC and its operation based on the expertise of the project architect.
- The project will comply with the requirements for energy efficiency and consumption and will all applicable federal, state, and local building codes.

On page 90, 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 not 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;

NA

Neither the applicant nor any related entities own, operate, or manage an existing health service facility located in the service area. Therefore, Criterion (13a) is not applicable to this review

- (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;

NA

Neither the applicant nor any related entities own, operate, or manage an existing health service facility located in the service area. Therefore, Criterion (13b) is not applicable to this review.

- (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 97, the applicant projects the following payor mix for the proposed services during the third full fiscal year (CY 2027) of operation following completion of the project, as shown in the table below.

Southern Pines ASF: Entire Facility (ORs and Procedure Rooms)

Payor Category	Percent of Total Patients Served
Self-Pay	0.7%
Medicare*	28.4%
Medicaid*	8.4%
Insurance*	24.0%
Other (Governmental)	38.5%
Total	100.0%

Source: Table on page 97 of the application.

*Including any managed care plans.

Southern Pines ASF: ORs only

Payor Category	Percent of Total Patients Served
Self-Pay	0.7%
Medicare*	28.4%
Medicaid*	8.4%
Insurance*	24.0%
Other (Governmental)	38.5%
Total	100.0%

Source: Table on page 97 of the application.

*Including any managed care plans.

Note: The applicant states that charity care is identified as 0.0% because charity care patients are from all payor categories. Charity Care patients represent 5.0% of the surgical cases. (See page 97)

As shown in the table above, during the third full fiscal year of operation for OR services, the applicant projects that 0.7% of total operating room services will be provided to self-pay patients, 28.4% to Medicare patients and 8.4% to Medicaid patients.

On page 97, 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 following:

- The two ORs being relocated to Southern Pines ASF are being relocated from SCoP.
- The orthopedic surgeons from Pinehurst Surgical Clinic will also be moving to Southern Pines ASF from SCoP and bringing all their orthopedic surgical cases to Southern Pines ASF.
- The projected payor mix is based on the historical mix of orthopedic surgery patients from SCoP.

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.5, page 98, 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.

NC

The applicant proposes to develop a new ASF, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will have two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

In Section M.1, page 100, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1 (Tab 14). However, the applicant does not adequately demonstrate that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provided no documentation the proposed Southern Pines ASF had been offered to any of the health professional training programs in the area to accommodate their clinical needs.
- The applicant only stated that the two members of SPSC (PSC and FirstHealth) had working relationships with local health professional training programs and only provided a list of the professional training programs with whom these two members had affiliations, not Southern Pines ASF. The Project Analyst notes that neither PSC nor FirstHealth is the applicant.
- FirstHealth, stated in a letter dated December 15th, 2022, that FirstHealth was no longer a part of the proposed project.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not 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.

The applicant proposes to develop a new ASF, Southern Pines ASF, by relocating two ORs from Surgery Center of Pinehurst. Upon project completion Southern Pines ASF will have two ORs and four procedure rooms. Southern Pines ASF will specialize in orthopedics.

On page 49, the 2022 SMFP states, “An OR’s service area is the single or multicounty grouping shown in Figure 6.1.” In Figure 6.1, page 55 of the 2022 SMFP, Moore County is shown as a single operating room service area. The proposed Southern Pines ASF would be located in Moore County. Thus, the service area for this application is Moore County. Facilities may also serve residents of counties not included in the service area.

The following table identifies the existing and approved inpatient (IP), outpatient (OP), and shared operating rooms located in Moore County, and the IP and OP case volumes for each provider, from pages 63 and 77 of the 2022 SMFP.

	IP ORs	OP ORs	Shared ORs	Excluded C-Sec, Trauma, Burn	CON Adjustments	IP Surgery Cases	OP Surgery Cases	Group
The Eye Surgery Center of the Carolinas	0	3	0	0	0	0	5,830	5
Surgery Center of Pinehurst	0	6	0	0	0	0	4,912	6
FirstHealth Moore Regional Hospital and Pinehurst Treatment Center	2	0	15	1	0	5,192	6,480	3
Total Moore County ORs	2	9	15	1	0			

Source: 2022 SMFP, pages 63 and 77.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 102, the applicant states:

“As with any business, competition typically is good for the consumer (i.e., the patient) in several areas: SPSC will combine and accentuate the strengths of each member- SPC OCOE with its expertise and experience in providing surgical services... Once operational, SPSC proposes to be a cost-effective alternative to performing ambulatory surgery procedures. ... This project will not hinder any existing provider’s ability to compete; rather, it will offer patients a convenient and cost-effective option for outpatient surgery. Choice helps promote competition and competition helps promote better alternatives for patients. SCSC will complement the needs and growing demands of the patients, staff, and physicians within the service area.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 103, the applicant states:

“SPSC will provide an economical choice for outpatient surgical services to the patients in the service area. ... An ASF typically provides a less expensive option to the insurer and, therefore, to the patient for similar ambulatory procedures performed in a hospital setting. ...

SPSC will operate a cost-effective alternative to performing ambulatory surgery procedures at the local hospital.”

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

Regarding the impact of the proposal on quality, in Section N, pages 103-105, the applicant states:

“SPSC is committed to developing and carrying out a performance improvement program. ... The QA/PI Program will implement methods to design process well, monitor performance through data collection, analyze current performance (internal and external) and improve and sustain positive outcomes. ... The QA/PI Program is designed to ensure the delivery of the highest quality of care to SPSC’s patients and to increase the probability of desired outcomes.”

See also Section O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 105, the applicant states:

“SPSC will not discriminate against any class of patient based on age, sex, religion, race, handicap, ethnicity, or ability to pay. SPSC will actively participate in Medicaid and Medicare programs. ... In the third year of the project, SPSC is projected to provide \$2.0 million in charity care and to write-off \$3.2 million in unpaid patient accounts.”

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

However, the applicant does not adequately describe the expected effects of the proposed services would have a positive impact on cost-effectiveness because the applicant does not adequately demonstrate that:

- The projected revenues and operating costs are not reasonable as projected utilization is not 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
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not 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.

NA

Neither the applicant nor any related entities own, operate, or manage an existing health service facility located in North Carolina. Therefore, Criterion (20) is not applicable to this review.

- (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 Criteria and Standards for Surgical Services and Operating Rooms, promulgated in 10A NCAC 14C .2100, are not applicable to this review because the applicant does not propose to increase the number of ORs in the service area.