

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: March 7, 2025

Findings Date: March 7, 2025

Project Analyst: Crystal Kearney

Co-Signer: Mike McKillip

Project ID #: G-12582-25

Facility: Novant Health Rehabilitation Hospital, an affiliate of Encompass Health

FID #: 160338

County: Forsyth

Applicant: Novant Health Rehabilitation Hospital of Winston Salem, LLC

Project: Develop an inpatient dialysis service

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

Novant Health Rehabilitation Hospital of Winston Salem, LLC (hereinafter referred to as “the applicant” or “Novant Rehab Hospital”) proposes to develop an inpatient dialysis service.

The applicant does not propose to develop any beds or services or acquire any medical equipment for which there is a need determination in the 2025 SMFP or offer a new institutional health service for which there are any policies in the 2025 SMFP. Therefore, Criterion (1) is not applicable to 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- (2) Repealed effective July 1, 1987.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 an inpatient dialysis service.

Patient Origin

N.C.G.S. §131E-176(24a) defines “service area” as “*The area of the State, as defined in the State Medical Facilities Plan or in rules adopted by the Department, which receives services from a health service facility.*” The 2025 SMFP does not define a service area for inpatient dialysis services. There are no applicable rules adopted by the Department that define a service area for inpatient dialysis services.

The applicant states in Section C.3, page 21, that its service area for the proposed inpatient dialysis services will be Forsyth County. The facility may also serve residents of counties not included in their service area.

In Section C.2, page 21, the applicant provides historical and projected patient origin for inpatients who require dialysis services. Currently, inpatients who require dialysis services are transported to community-based providers of dialysis services.

Novant Rehab Hospital				
County	Historical Last Full FY CY2024		Second Full FY of Operation following Project Completion CY2027	
	Inpatient Dialysis Patients	% of Total	Inpatient Dialysis Patients	% of Total
Forsyth	46	63.9%	49	63.6%
Guilford	7	9.7%	8	10.4%
Davidson	6	8.3%	7	9.1%
Surry	4	5.6%	4	5.2%
Stokes	2	2.8%	2	2.6%
All Other NC Counties	5	6.9%	5	6.5%
Out-to-State	2	2.8%	2	2.6%
Total	72	100.0%	77	100.0%

Source: page 21 of the application

In Section C, pages 21-22, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s patient origin assumptions are reasonable and adequately supported because they are based on the historical patient origin for inpatients at Novant Rehab Hospital who require dialysis services.

Analysis of Need

In Section C, page 22, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On pages 22-25, the applicant states that

the proposed provision of inhouse dialysis service will enhance quality of care, reduce hospital readmissions, and improve the efficiency of healthcare resources, as detailed below:

Enhance quality of care

- The applicant states that it will mean quicker admissions and shorter lengths of stay for general acute care hospitals' dialysis patients who are ready for discharge to Novant Rehab Hospital. The applicant states that it will eliminate the frequent multi-day discharge delays for dialysis patients while case managers at both hospitals work to find a dialysis center to provide dialysis services for the patient following admission to Novant Rehab Hospital (page 22).
- The applicant states that it will improve the continuity of care, physician supervision, and immediate response to any medical situation that may arise during dialysis treatment at Novant Rehab hospital. Novant's patients are highly acute, oftentimes with ten or more medical conditions (pages 23-24).

Reduce hospital readmissions

- The applicant states that the ability of Novant Rehab to offer dialysis services to its inpatient population would reduce general acute care hospital readmissions and provide optimal care for patients who would benefit from physicians, nurses, and other staff members' immediate, in-house response to any medical situation that arises during dialysis.
- The applicant states that the absence of the provision of inhouse hemodialysis services of Novant, avoidable hospital readmissions will continue to occur, which negatively impacts patients and the general acute care hospitals caring for those patients. (page 24-25)

Improve efficiency of healthcare resources

- The applicant states that the if the dialysis service is provided inhouse, scarce transportation resources will be more available for patients who rely on transportation services to receive their dialysis care.
- The applicant states that the rehab patients are already losing time from therapy when they travel off-site for dialysis.
- The applicant states that the transportation delays, which frequently occur, only make the problem worse (page 25).

Historical Utilization of Dialysis Services by Novant Rehab Hospital Patients

On page 30, the applicant provides the following table showing the historical utilization of dialysis services by the hospital's inpatients.

Novant Rehab Hospital Dialysis Patients as % of Total Patients							
Novant Health Rehab Hospital	FY19	FY20	FY21	FY22	FY23	FY24	Total
Patients undergoing hemodialysis	48	71	76	52	55	72	374
Total Patients	1,155	1,307	1,480	1,490	1,514	1,634	8,580
% of patients undergoing dialysis	4.2%	5.4%	5.1%	3.5%	3.6%	4.4%	4.4%

Source: Page 30 of the application

The applicant states that 4.4% of Novant’s patients required dialysis services for the most recent fiscal year (FY24) and in aggregate since the hospital opened Novant Rehab Hospital assumes that 4.4% of its rehab patients will continue to require dialysis services in the future.

Projected Population’s Growth in the Service Area

The applicant states that the five-county total population is projected to increase from 1,252,825 persons in 2025 to nearly 1.3 million (1,299,149) in 2030 and increase of 3.7% during that time.

Total Population Projections, 2025-2030			
County	2025	2030	% Change
Forsyth	399,525	416,948	4.4%
Davidson	179,516	186,738	4.0%
Guilford	556,182	577,037	3.7%
Stokes	46,353	47,168	1.8%
Surry	71,249	71,249	0.0%
Total	1,252,825	1,299,140	3.7%

Source: Page 31 of the application

The applicant states that the population ages 65 and over in the five-county area is projected to increase even faster than the total population, growing by approximately 11% between 2025 and 2030, as shown below.

Population Ages 65 and Over, 2025-2030			
County	2025	2030	% Change
Forsyth	71,663	79,315	10.7%
Davidson	35,748	39,845	11.5%
Guilford	98,673	110,163	11.6%
Stokes	10,924	12,286	12.5%
Surry	14,940	15,726	5.3%
Total	231,948	257,335	10.9%

Source: Page 32 of the application

The applicant states that the fast-growing population cohort ages 65 and over is projected to comprise a large and growing percentage of the total population between now (2025) and 2030, as shown below.

Population Age 65 and Over as a Percentage of Total Population, 2025-2030		
County	2025	2030
Forsyth	17.9%	19.0%
Davidson	19.9%	21.3%
Guilford	17.7%	19.1%
Stokes	23.6%	26.0%
Surry	21.0%	22.1%
Total	18.5%	19.8%

Source: Page 32 of the application

The applicant states that as demonstrated, the large, increasing, and aging population in the five-county area supports the need for the proposed project, particularly considering that approximately 70% of the applicant’s dialysis patients are ages 65 and older, with an average age of 68.5 for all dialysis patients.

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

- The applicant provides reasonable explanations regarding the challenges of providing dialysis services to inpatients at the hospital.
- The applicant provides data demonstrating the need will be supported based on the increase of population growth and aging.

Projected Utilization

In Section Q, Form C, the applicant provides projected utilization, as shown in the following table.

Form C Utilization Inpatient Dialysis Service	Partial FY 11/01/2025 12/31/2025	1st Full FY CY 2026	2nd Full FY CY 2027
Inpatient Dialysis Patients			
Average # of Patients during the Year	12	75	77
# of Treatments/Patient/Year	6	6	6
Total # of Treatments	72	450	462

Source Section Q, Form C of the application

In Section Q, page 2, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: Determine historical volume of rehab hemodialysis patients

Novant Rehab Hospital provides the number and percentage of patients requiring offsite hemodialysis services during their inpatient rehabilitation stay from FY2019 to FY2024, as shown below.

Novant Rehab Hospital Dialysis Patients as % of Total Patients							
Novant Health Rehab Hospital	FY19	FY20	FY21	FY22	FY23	FY24	Total
Patients undergoing hemodialysis	48	71	76	52	55	72	374
Total discharges	1,155	1,307	1,480	1,490	1,634	1,634	8,580
% of patients undergoing dialysis	4.2%	5.4%	5.1%	3.5%	3.6%	4.4%	4.4%

Source: Section Q, page 2 of the application

Step 2: Compare the hospital’s dialysis patient percentages to Encompass Health nationally and regionally

The following table compares Novant Rehab Hospital’s dialysis patients as a percentage of the hospital’s total inpatient population to Encompass Health national and regional averages. As shown below, Novant Rehab Hospital’s percentage of dialysis patient population is comparable to Encompass Health’s national and regional provider’s experience.

Encompass Health’s Dialysis Patients as a Percentage of Total Inpatient Rehabilitation Patients, FY23 & YTD FY24		
Encompass Health	FY23	YTD24
National Average	4.8%	4.5%
MidAtlantic Region	4.1%	4.0%
Novant Rehab Hospital	4.4%	4.4%

Source: Section Q, page 2 of the application

Step 3: Project total hospital patient volume

The applicant projected total hospital rehab patients considering service area population growth and aging, historical utilization, and Encompass Health’s experience in operating highly utilized IRFs nationally, including those that offer inhouse dialysis services.

(a) Service are population growth and aging

The majority (approximately 64%) of Novant Rehab Hospital’s current and projected dialysis patients reside in Forsyth County, the hospital’s home county. Slightly more than a quarter of dialysis patients (26.4%) currently reside in four contiguous counties: Guilford, Davidson, Surry, and Stokes. In FY27, patients from those same four contiguous counties are expected to comprise a similar percentage (27.3%) of dialysis patients at the hospital. Combined patients from the five -county area represent approximately 90% of dialysis patients at Novant Rehab Hospital. The total population in the five-county areas is large and growing, projected to increase from 1,252,825 people in 2025 to nearly 1.3 million (1,299,140) in 2030, and increase of 3.7% during that time.

Total Population Projections, 2025 and 2030			
County	2025	2030	%Change
Forsyth	399,525	416,948	4.4%
Davidson	179,516	186,738	4.0%
Guilford	556,182	577,037	3.7%
Stokes	46,353	47,168	1.8%
Surry	71,249	71,249	0.0%
Total	1,252,825	1,299,140	3.7%

Source: Section Q, page 3 of the application

Of note is that the population is aging, which is an important consideration for inpatient rehabilitation patients, including those in need of dialysis services, since the population ages 65 and over is the primary user of IRF services. The population65 and over is projected to grow by approximately 11% between 2025 and 2030, as shown below.

Population Ages 65 and Over 2025 and 2030			
County	2025	2030	% Change
Forsyth	71,663	79,315	10.7%
Davidson	35,748	39,845	11.5%
Guilford	98,673	110,163	11.6%
Stokes	10,924	12,286	12.5%
Surry	14,940	15,726	5.3%
Total	231,948	257,335	10.9%

Source: Section Q, page 3 of the application

Approximately 70% of the Applicant’s dialysis patients are ages 65 and older, with an average age of 68.5 for all dialysis patients. The fast-growing population cohort ages 65 and over is projected to comprise a large and growing percentage of the total population between now (2025) and 2030.

(b) Historical and projected hospital-wide utilization

As shown below, the applicant projects the hospital’s utilization will continue increasing but at a slightly slower rate than it increased during the hospital’s first six years of operation.

Novant Rehab Hospital Hospital-wide Utilization Historical and Projected									
Novant Rehab Hospital	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Total discharges	1,155	1,307	1,480	1,490	1,514	1,634	1,675	1,709	1,743
Hospital-wide Occupancy	59.2%	73.5%	82.6%	82.1%	81.8%	85.2%	87.5%	89.3%	91.1%

Source: Section Q, page 4 of the application

Notes: FY24 is annualized based on 11 months data. Full FY25 data shown, though the dialysis service will not become operational until November 1, 2025. Fiscal year is January 1 through December 31.

Step 4: Project Novant Rehab Hospital dialysis patient volume

As shown above, 4.4% of Novant’s patients required dialysis services in the most recent fiscal year (FY24) and in aggregate since the hospital opened. Novant Rehab Hospital projects that 4.4% of its rehab patients will require dialysis services in the future.

Novant Rehab Hospital Dialysis Patients Projected Partial FY25-FullFY27			
	Partial FY25	FY26	FY27
Total discharges	1,675	1,709	1,743
% of patients undergoing dialysis	4.4%	4.4%	4.4%
Patients undergoing hemodialysis	12	75	77

Source: Section Q, page 4 of the application

Step 5: Determine the number of hemodialysis stations needed

Based on the historical number of patients requiring dialysis while admitted to Novant Rehab Hospital and Encompass Health’s experience providing inhouse dialysis services at more than

100 of its facilities nationally, the Applicant believes that four chairs are the appropriate number of chairs for this service to accommodate current and projected patients.

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

- The applicant’s projected utilization is based on historical utilization by inpatient dialysis patients at the hospital.
- The applicant’s projected utilization is supported by the projected growth and aging of the service area population.

Access to Medically Underserved Groups

In Section C, page 34, the applicant states,

“The hospital participates in the Medicare and Medicaid programs and has policies and procedures that ensure access to patients regardless of race, sex, age, religion, ethnicity, disability, or ability to pay.”

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

Medically Underserved Groups	Estimated Percentage of Total Patients during the Second Full Fiscal Year
Low income persons	5.1%
Racial and ethnic minorities	42.0%
Women	42.0%
Persons with Disabilities	100.0%
Persons 65 and older	70.0%
Medicare beneficiaries	79.2%
Medicaid recipients	2.6%

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the projected percentages shown reflect the hospital’s historical dialysis patient population.

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.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

NA

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

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

C

The applicant proposes to develop an inpatient dialysis service.

In Section E, page 42, 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 alternative considered was:

- Maintain the status quo: The applicant states that this is not a viable option for Novant Rehab Hospital patients who are currently inappropriately treated in an outpatient dialysis facility not located on the hospital campus.

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

- The applicant states that the necessity of transporting patients to a freestanding dialysis center three times a week during the rehab inpatient's approximately two-week stay interrupts and negatively impacts the patient's rehabilitation and recovery process in a number of ways.
- The applicant states that the increased lengths of stay the rehab hospital in order for the patient to have sufficient time for therapy sessions; or, alternatively having the patient stack-up therapy sessions on the days when the patient does not travel offsite for dialysis to make up for the missed therapy sessions; or some combination of the two.
- The applicant states that the delayed and fragmented care when a medical situation arises during the rehab patient's offsite dialysis treatment, which often results in an unnecessary hospital readmission to a general acute care hospital.
- The applicant states that the delays in discharges from general acute care hospitals to Novant Rehab Hospital because of the need for the patient to undergo dialysis treatment in a community-based dialysis center, which particularly negatively impacts patients residing outside the Winston-Salem area who are frequently discharged to a less post-acute setting

such as skilled nursing due to the difficulties obtaining transportation services to distant dialysis centers.

- The application is conforming to all other statutory and regulatory review criteria and can be approved.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 1. Novant Health Rehabilitation Hospital of Winston-Salem, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop an inpatient dialysis service at Novant Health Rehabilitation Hospital, an affiliate of Encompass Health.**
- 3. The certificate holder shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section F of the application and that would otherwise require a certificate of need.**
- 4. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. Progress reports shall be due on the first day of every sixth month. The first progress report shall be due on August 1, 2025.**

5. 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 an inpatient dialysis service.

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.

Projected Capital Cost	
Novant Health Rehabilitation Hospital of Winston Salem, LLC	
Construction/Renovation Costs	\$900,000
Architect/ Engineering Fees	\$100,000
Medical Equipment	\$212,049
Consultant Fees: CON Development	\$ 30,000
Other: Attorney Fees & Contingency	\$100,000
Total	\$1,342,049

In Section F.1, page 43, 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 information provided by the applicant in Section F. 1, page 43 of the application.

In Section F, page 44, the applicant states there will be no start-up costs or initial operating costs associated with the proposed inpatient dialysis service.

Availability of Funds

In Section F.1, page 43, the applicant states that the capital cost will be funded as shown in the table below:

SOURCES OF CAPITAL COST FINANCING		
TYPE	NOVANT HEALTH REHABILITATION HOSPITAL OF WINSTON-SALEM, LLC	TOTAL
Loans	\$0	\$0
Accumulated Reserves or OE*	\$1,342,049	\$1,342,049
Bonds	\$0	\$0
Other (Specify)	\$ 0	\$ 0
Total Financing	\$1,342,049	\$1,342,049

*Owner's Equity

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

- In Exhibit F.2, the applicant provides a letter from the Chief Executive Officer of Novant Health Rehabilitation Hospital that confirms the availability of sufficient cash reserves to fund the capital needs of the project and commits the necessary funds to the project development.
- In Exhibit F.2 the applicant provides copies of the audited financial statements for Novant Health Rehabilitation Hospital and affiliates, which documents adequate cash and cash equivalents.

Financial Feasibility

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

Novant Rehab Hospital Total Facility	1 st Full FY CY 2026	2 nd Full FY CY 2027
Total Gross Revenues (Charges)	\$59,189,202	\$60,372,986
Total Net Revenue	\$38,725,704	\$39,591,344
Total Operating Expenses (Costs)	\$29,283,919	\$30,189,327
Net Income	\$9,441,785	\$9,402,017

Source: Section Q, page 6, Form F.2

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, pages 6-7. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant provides reasonable assumptions to determine revenue and operating expenses.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates the availability of sufficient funds for 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 an inpatient dialysis service.

N.C.G.S. §131E-176(24a) defines “service area” as “...the area of the State, as defined in the State Medical Facilities Plan or in rules adopted by the Department, which receives services from a health service facility.” The 2025 SMFP does not define a service area for inpatient dialysis services. There are no applicable rules adopted by the Department that define a service area for inpatient dialysis services. In Section C.3, page 21, the applicant states the service area is Forsyth County. The facility may also serve residents of counties not included in their service area.

In Section G, page 50 the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved inpatient dialysis services in Forsyth County. The applicant states:

“There is currently no inpatient rehabilitation facility in the service area that offers inhouse dialysis service for its patient population. Novant Rehab Hospital will be the first and only IRF in the service area to provide inhouse dialysis services to its inpatients during their rehab stay...The Applicant does not propose to offer dialysis services to the general public; the proposed service will be available only to those patients of Novant Rehab Hospital who require dialysis.”

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because there are no existing or approved facilities that provide inpatient dialysis services in Forsyth County.

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.

- (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 an inpatient dialysis service.

In Section Q, Form H, the applicant provides the projected staffing in full-time equivalent (FTE) positions for the first and second full operating years of the proposed services, as summarized in the following table:

Novant Rehab Hospital – Inpatient Dialysis Service Staffing, First Two Project Years		
POSITION	1ST FULL FY FFY 2026	2ND FULL FY FFY 2027
Administrator	1	1
Registered Nurse	1	1
Total	2	2

The assumptions and methodology used to project staffing are provided in Section Q and Section H, page 51. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.4. In Section H, pages 51-52, 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 states that Novant Rehab Hospital does not anticipate any problems or difficulties recruiting the minimal staff necessary to implement the inpatient dialysis service.
- The applicant states that Novant Rehab Hospital has in place numerous innovative approaches to recruit and retain staff members based upon proven strategies at Encompass Health.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop an inpatient dialysis service.

Ancillary and Support Services

In Section I.1, page 53, the applicant identifies the necessary ancillary and support services for the proposed dialysis services. On page 53, the applicant states that the ancillary and support services required to provide inhouse dialysis services to Novant Rehab Hospital's patients are currently in place at the hospital or provided by Encompass Health.

Coordination

In Section I.2, page 54, 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 provides copies of support letters submitted by physicians and community health professionals in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the information provided in the application and referenced exhibits as described above.

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.

- (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 an inpatient dialysis service.

In Section K, page 57, the applicant states that the project involves renovating 1,223 square feet of existing space. Line drawings are provided in Exhibit K.2.

In Section K, page 57, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states that the proposed project is the most reasonable alternative available to patients.
- The applicant states that the proposed project is relatively low-cost and an efficient use of existing resources including space, infrastructure, and support services at Novant Rehab Hospital.

In Section K, page 58, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states that the proposed project will not unduly increase the costs because the hospital has the existing infrastructure and support services (dietary, housekeeping, information technology, purchasing medical records, etc.) in place, thus will require minimal staffing and costs to establish inpatient dialysis service.
- The applicant states that the current costs of medical transportation and contracted dialysis services provided by the community-based dialysis facilities will be eliminated following implementation of the proposed service.

In Section K, page 58, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit K.4.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

Neither the applicant nor any related entities provide inpatient dialysis services in the service area. On page 61, the applicant provides the following comparison based on Novant Health Rehab Hospital inpatients:

Novant Rehab Hospital	Percentage of Total Patients Served	Percentage of the Population of the Service Area
Female	42.4%	52.4%
Male	57.6%	47.6%
Unknown	N/A	N/A
64 and Younger	30.3%	82.6%
65 and Older	69.7%	17.4%
American Indian	0.0%	1.1%
Asian	1.5%	2.8%
Black or African American	37.9%	27.6%
Native Hawaiian or Pacific Islander	0.0%	0.2%
White or Caucasian	57.6%	65.7%
Other Race	0.0%	2.6%
Declined/Unavailable	3.0%	N/A

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 61, the applicant states that Novant Health Rehab is not applicable under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and persons with disabilities.

In Section L.2, page 61, the applicant states the facility has had no patient civil rights equal access complaints.

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 62, the applicant projects the following payor mix for the proposed services during the second full fiscal year of operation following completion of the project, as shown in the table below:

Novant Rehab Hospital Projected Payor Mix during the 2nd Full FY CY 2027		
Payor Source	Inpatient Dialysis Patients	
	Number of patients	Percentage of Total
Self-pay	1	1.3%
Insurance	13	16.9%
Medicare	61	79.2%
Medicaid	2	2.6%
Other(describe)	0	0%
Total	77	100.0%

Source: Section L, page 62 of the application

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 1.3% of total services will be provided to self-pay patients, 79.2% to Medicare patients and 2.6% to Medicaid patients.

On page 62, the applicant provides the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the hospital's historical payor mix for inpatients requiring dialysis 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 based on the reason 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 62, 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 an inpatient dialysis service.

In Section M, page 64, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the information provided in Section M, page 64 as described above.

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 an inpatient dialysis service.

N.C.G.S. §131E-176(24a) defines “service area” as “...the area of the State, as defined in the State Medical Facilities Plan or in rules adopted by the Department, which receives services from a health service facility.” The 2025 SMFP does not define a service area for inpatient dialysis services. There are no applicable rules adopted by the Department that define a service area for inpatient dialysis services. In Section C.3, page 20, the applicant states it expects most of its dialysis patients to come from Forsyth County. The facility may also serve residents of counties not included in their service area.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 65, the applicant states:

“There is uniquely none in this instance because Novant Rehab Hospital will be the first and only IRF in the service area to provide inhouse dialysis services to its inpatients during their rehab stay. There is currently no inpatient rehabilitation facility in the service area that offers inhouse dialysis services for its patient population.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 66, the applicant states:

“The proposed inhouse dialysis service will result in cost-effectiveness of dialysis services and the greater healthcare delivery system through a variety of ways, including quicker admissions and shorter lengths for general acute care hospitals’ dialysis patients ready for discharge to Novant Rehab Hospital, optimal length of stay and consistent application of best practices for dialysis rehab patients at Novant Rehab Hospital, reduction in expensive emergency transportation of rehab dialysis patients from offsite community, and reduction in unnecessary hospital readmissions that can be avoided by allowing Novant Rehab Hospital to offer inhouse dialysis services to its patients.”

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 66, the applicant states:

“The proposed project will enhance quality of care for Novant Rehab Hospital’s rehab patients by ensuring continuity of care, physician supervision, and the immediate response to any medical situation that may arise for the patient during dialysis treatment at the hospital rather than an offsite community-based dialysis facility.”

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 66, the applicant states:

See also Section 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.

In Section O, page 68, and in Form O, Section Q, the applicant states Novant Health Rehabilitation Hospital of Winston Salem identifies five (5) acute care hospitals located in North Carolina owned, operated or managed by the applicant or a related entity that provide inpatient dialysis services.

In Section O, page 68, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred in any of these facilities. 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, no incidents related to quality of care occurred at any of these facilities. After reviewing and considering the information provided by the applicant and by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all five (5) 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 proposes to develop an inpatient dialysis service. There are no administrative rules applicable to the provision of inpatient dialysis services in a hospital.