

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: April 25, 2008

TEAM LEADER: Martha J. Frisone

CHIEF: Lee B. Hoffman

PROJECT I.D. NUMBER: K-8024-07/ Louisburg HMA, Inc. d/b/a Franklin Regional Medical Center/ Relocate the existing 70-bed acute care hospital in Louisburg to a replacement facility to be located near Youngsville/ Franklin County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants propose to replace the existing FRMC and relocate it from Louisburg to Youngsville in Franklin County. FRMC is currently licensed for 70 general acute care beds, including 64 medical/surgical beds and six intensive care unit (ICU) beds, three shared operating rooms (ORs) and one gastrointestinal (GI) endoscopy room. The proposed replacement hospital would be licensed for 70 acute care beds, which includes 58 medical/surgical beds and 12 ICU beds, three shared ORs and one GI endoscopy room. The proposal does not result in an increase in the number of general acute care beds, ORs or GI endoscopy rooms located in Franklin County. Further, the applicants do not propose to acquire any medical equipment for which there is a need determination in the 2007 State Medical Facilities Plan (2007 SMFP). Therefore,

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there are no need determinations applicable to the review of the proposed project.

However, because the applicants propose to construct space to replace 70 existing acute care beds, Policy AC-5 is applicable to the review. POLICY AC-5: REPLACEMENT OF ACUTE CARE BED CAPACITY states

“Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care beds in the applicant’s hospital in relation to the utilization targets found below. In determining utilization of acute care beds, only acute care bed ‘days of care’ shall be counted. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application.

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

In Section III.1, page 105, Section IV, pages 161-163, and Exhibit 13, the applicants provide historical and projected utilization for FRMC’s 70 acute care beds, as illustrated in the following table.

FEDERAL FISCAL YEAR	# OF LICENSED BEDS	TOTAL # OF ACUTE CARE DAYS	AVERAGE DAILY CENSUS	% INCREASE (DECREASE)	AVERAGE OCCUPANCY RATE
2003 (actual)	70	9,362	25.6	NA	36.6%
2004 (actual)	70	10,469	28.7	11.8%	41.0%
2005 (actual)	70	12,974	35.5	23.9%	50.8%
2006 (actual)	70	13,425	36.8	3.5%	52.5%
2007 (actual)	70	13,645	37.4	1.6%	53.4%
2008 (projected)	70	14,609	40.0	7.1%	57.2%
2009 (projected)	70	15,640	42.8	7.1%	61.2%
2010 (projected)	70	16,745	45.9	7.1%	65.5%
2011 (projected) (Year 1)	70	17,927	49.1	7.1%	70.2%
2012 (projected) (Year 2)	70	19,193	52.6	7.1%	75.1%
2013 (projected) (Year 3)	70	20,549	56.3	7.1%	80.4%

As shown in the above table, FRMC’s average daily census (ADC) was 37.4 patients in FFY 2007 and the projected ADC during the

third operating year of the project is 56.3 patients. Thus, because the ADC for the existing and proposed facility is less than 99 patients, the target occupancy rate for FRMC is 66.7%. During the third operating year, the applicants project that the acute care occupancy rate at FRMC would be 80.4%, which is greater than the target. Further, as shown in the above table, from FFY 2003 to FFY 2007, the number of acute care days of care provided at FRMC increased from 9,362 to 13,645, which is an increase of 45.7% over the four year period, or an average annual increase of 11.4% per year [$13,645 - 9,362 = 4,283$; $4,283 / 9,362 = 0.457$; $45.7\% / 4 = 11.4\%$].

In Section III.1, pages 98-99, the applicants describe the assumptions and methodology used to project utilization of all 70 acute care beds (including ICU beds) as follows:

“FRMC projects total acute care inpatient days to grow at the FFY 2003 to FFY 2007 compound annual growth rate (CAGR) of its Franklin County patient days, 7.1 percent, as shown below.

	<i>FRMC Acute Care Days from Franklin County</i>	<i>Growth Rate (Franklin County)</i>
<i>FFY 2003</i>	<i>7,433</i>	<i>N/A</i>
<i>FFY 2004</i>	<i>8,229</i>	<i>10.6%</i>
<i>FFY 2005</i>	<i>8,796</i>	<i>6.9%</i>
<i>FFY 2006</i>	<i>9,516</i>	<i>8.2%</i>
<i>FFY 2007</i>	<i>9,765</i>	<i>2.6%</i>
<i>Compound Annual Growth Rate</i>		<i>7.1%</i>

The 7.1 percent CAGR in Franklin County patient days is conservative compared to FRMC’s CAGR of total acute care days, 9.9 percent, and FRMC’s CAGR of days originating from outside the county, 19.1 percent.”

The following table illustrates total acute care days of care provided at FRMC from FFY 2003 through FFY 2006, as reported by the hospital in its Hospital License Renewal Application forms for the years 2004-2008.

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FEDERAL FISCAL YEAR	TOTAL # OF ACUTE CARE DAYS	% INCREASE (DECREASE)
2003	9,348	NA
2004	10,464	11.9%
2005	12,979	24.0%
2006	13,425	3.4%
2007	13,645	1.6%

As shown in the above table, between FFY 2003 and FFY 2007, the number of acute care days of care provided at FRMC increased from 9,348 to 13,645, which is an increase of 46% over the four year period, or an average annual increase of 11.5% per year [$13,645 / 9,348 = 0.46$; $46\% / 4 = 11.5\%$]. The applicants' projected annual growth rate of 7.1% for FRMC's acute care beds is reasonable, based upon historical increases. Further, projected annual growth in the number of acute care days of care to be provided at FRMC is also supported by the projected growth of the primary service area population. Therefore, the applicants adequately demonstrate that projected utilization of the acute care beds would increase from 13,645 acute care days in FFY 2007 to 20,549 acute care days by FFY 2013 to reach an occupancy rate of 80.4% in its 70 acute care beds. Consequently, the applicants adequately demonstrated the need to retain 70 acute care beds and the application is conforming to Policy AC-5. See Criterion (3) for a discussion of the need for all components of the project.

In summary, the application is conforming to the applicable policy in the 2007 SMFP, and, therefore, conforming to this criterion.

- (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, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

According to its 2008 Hospital License Renewal Application and Section I.1, page 1, of the certificate of need application, Louisburg HMA, Inc. is the owner and licensed operator of Franklin Regional Medical Center (**FRMC**), an existing acute care

hospital located in Louisburg in Franklin County. The applicants propose to replace the existing FRMC and relocate it from Louisburg to Youngsville in Franklin County. The three applicants are identified in Section I.1, pages 1-2, as follows:

- 1) Louisburg HMA, Inc.;
- 2) Rex Hospital, Inc.; and
- 3) Franklin Regional Medical Center, LLC.

In Section I.11, page 7, the applicants state that, Louisburg HMA, Inc. is a wholly-owned subsidiary of Health Management Associates, Inc. (**HMA**). Further, in Section I.11, page 7, the applicants state that Franklin Regional Medical Center, LLC is jointly owned by Louisburg HMA, Inc. (70%) and Rex Hospital, Inc. (30%). The replacement hospital in Youngsville will be owned by Franklin Regional Medical Center, LLC, which will also be the licensed operator.

FRMC proposes to relocate the existing acute care hospital from Louisburg to a site near Youngsville in Franklin County, approximately 16 miles from its present location. FRMC is currently licensed for 70 general acute care beds, 3 shared ORs and one GI endoscopy room. The applicants do not propose any change in the total number of licensed acute care beds, ORs or GI endoscopy rooms as part of the project. In Section II.1, pages 21-31, the applicants describe the project components as follows:

“Emergency Department

The proposed emergency department will be located on the first floor of FRMC’s replacement facility. While FRMC’s existing emergency department has 11 treatment/exam rooms, the medical center proposes to increase the number of treatment/ exam rooms to 16. These 16 rooms will include three designated trauma rooms, one designated chest room, one designated psychiatric room, one isolation room, and ten general treatment/exam rooms. It is important to note that while the rooms with specific designations will be equipped according to their designation, FRMC intends that these rooms will be made available as general treatment rooms, as needed. The proposed emergency department will also include one triage room and one consult room. The emergency department will operate on a 24/7 basis and will be staffed

by board certified emergency physicians.

...

Acute Care Inpatient Services

FRMC is currently licensed for 70 acute care beds. The proposed replacement facility does not increase the number of licensed beds; therefore, the number of licensed beds will remain the same. However, FRMC is proposing to change the designation of some of the acute care beds. Specifically, FRMC is proposing to increase the number of beds in the intensive care unit from six to twelve. Section II.8 addresses the special rules associated with the provision of this service, and Section III.1(b) discusses the statistical need for this change in bed designation. The total inventory of licensed acute care beds in the proposed replacement facility is as follows:

- *12 Intensive Care Beds*
- *58 Medical/Surgical Beds*

Intensive Care Unit

The Intensive Care Unit in the proposed replacement hospital will be located in a separate wing on the second floor. As noted above, the unit will contain 12 patient rooms, one of which will have isolation capabilities. Thus, the unit will be larger than the current six-bed intensive care unit at FRMC's existing facility. In addition to more rooms, the proposed intensive care rooms will be larger, measuring an average of 230 square feet, and will be larger than the American Institute of Architects' (AIA) current recommendations for a minimum of 200 square feet of clear area in critical care patient rooms.

The proposed layout also addresses one of the key design flaws in the existing intensive care unit. Specifically, the existing nurses' station is not centrally located in the intensive care unit. As a result, two of the patient rooms in the unit are not visible from the nurses' station. The proposed intensive care unit will be arranged in an L-shape, with six rooms on each row. The nurses' station will be a similar shape, allowing for each patient room to

be visible from a part of the nurses' station. ...

Medical/Surgical Units

As in FRMC's existing facility, the medical/surgical units in the proposed facility will be located on the second and third floors, with 32 private patient rooms located on the second floor and 26 private patient rooms located on the third floor. One major difference between FRMC's existing and proposed facility is that there will no longer be semi-private patient rooms in the proposed facility. As discussed in III.1(a), changes in health care delivery have led to a design standard of private patient rooms.

The proposed patient rooms will also be larger than the existing patient rooms. Specifically, the existing private medical/surgical rooms at FRMC measure an average of 120 square feet and semi-private rooms measure an average of 160 square feet, while all of the proposed private patient rooms will measure 268 square feet, not including square footage allocated to the patient restroom. Current AIA standards for medical/surgical units recommend that private patient rooms measure, at a minimum, 160 square feet. Thus, ERMC's proposed medical/surgical patient rooms will exceed these recommendations by more than 100 square feet per room. Each patient room will also have a private bathroom including a toilet and a shower. In addition to meeting modern hospital design standards, the proposed patient rooms will also increase the comfort for patients and their families during their hospital stay at FRMC.

As shown in the drawings contained in Exhibit 2, the medical/surgical patient rooms are located on three corridors on the second and third floors of the proposed medical center. A central nurses' station is located at the junction of each of these three corridors. In addition to the central nurses' station, each corridor includes a nurse team center, which functions as a satellite to the central nurses' station. Surrounding the central nurses' station is space allocated to family waiting, meeting/consult rooms, and staff lounges. Adjacent to the nurses' station on each floor is space allocated for the nurse managers' office, patient nourishment, and patient medication rooms. The

second floor medical/surgical unit contains a hospitalist suite.

Observation Beds

In addition to its 70 acute care beds, FRMC intends to develop two observation beds. These beds will be located within the medical/surgical units on the second floor of the proposed facility. Patient stays in observation beds will be limited to less than 24 hours. The beds will support both the emergency department and outpatient surgery, as well as the ancillary services for patients that require a level of observation that does not necessitate admission to an inpatient acute care bed.

Surgical Services

Surgical services will be provided on the first floor of FRMC's proposed replacement facility, adjacent to the imaging department and the laboratory. The surgery department will include pre-/post-operative and holding areas as well as an operating suite. Each of these areas is described below. ...

Pre-/Post-Operative and Holding

Surgical procedures, particularly in community hospitals, are performed predominantly on an outpatient basis. In response to this trend, FRMC's proposed facility includes an outpatient waiting area that serves the surgical department. Patients receiving surgical care at FRMC will enter the department via the outpatient waiting area, and will be directed to the pre-/post-operative and holding area. This area will include 17 bays that will be used for patients prior to undergoing surgery, as well as additional recovery time for patients following recovery time in the PACU. In addition to these bays, this area will include a private patient holding area. In designing the proposed pre-/post-operative and PACU space, FRMC followed recommendations for appropriate ratios of operating rooms to pre-/post-operative and PACU space. These ratios represent a minimum standard that allows for smooth patient flow throughout the surgical department, thus improving the operating efficiency of the department.

...

... This space will also serve FRMC's one GI endoscopy procedure room. The proposed additional prep and recovery space will improve patient flow in the surgical department, and will allow FRMC to better accommodate the projected increase in surgical volume. See Section III.1(b) for documentation of the projected surgical volumes at FRMC.

In addition to support areas for surgical patients, this area will also include other clinical areas. Specifically, FRMC's GI endoscopy procedure room will be located in this portion of the surgical department, as well as outpatient infusion therapy and FRMC's pain management clinic. ...

The pre-/post-operative and holding area will also include a room for patient nutrition counseling, blood drawing, and interview rooms. In addition, the area includes two physician consult rooms. These consult rooms are located adjacent to the waiting area, allowing for easy access for patients and families.

Operating Room Suite

The operating room suite is adjacent to the pre-/post-operative holding area. The suite will contain three licensed surgical operating rooms. Two of the operating rooms will measure 450 square feet and the third will be larger, measuring 606 square feet. The third, larger operating room will be used for orthopedic surgical procedures and will be able to accommodate additional equipment that may be required for certain procedures. Floor to ceiling heights in each of the operating rooms will be 10 feet. Thus, the proposed operating rooms will be significantly larger than those in the existing facility. Specifically, two of the existing operating rooms measure 400 square feet while the third is only slightly larger at 416 square feet. The floor-to-ceiling height in all three existing operating rooms is nine and one-half feet. The existing operating rooms are slightly below current minimum space standards according to the AIA, which recommends at least

400 square feet of clear area for general operating rooms. The proposed operating rooms will therefore allow FRMC to accommodate additional equipment in the operating rooms as needed. Physician and staff support areas, including lockers, lounges, and a physician on-call room, are also located within this department.

The proposed sterile processing department is located on the opposite side of the operating rooms. This department includes space for sterile equipment processing as well as storage. The sterile processing department measures 1,225 square feet, which is 1,065 square feet larger than the FRMC's existing 160 square foot sterile processing department. Please see Section III.1(a) for discussion regarding the increased use of instruments during surgical procedures and the additional sterile instrument processing capacity required to use those instruments.

The proposed operating room suite includes a significant amount of storage, which addresses one of the key design flaws in the existing facility. Specifically, the proposed operating suite will include 1,055 square feet devoted to storage. As discussed in Section III.1(a), surgical procedures now require an increasing volume of instruments and equipment. As a result, storage space that was adequate at the time FRMC's original facility was constructed is no longer sufficient.

...

Imaging

The imaging department in the proposed facility will be located on the first floor, directly adjacent to the emergency department and the surgical suite. Services in the department will be used to support the emergency department, inpatient and outpatient surgery, as well as other acute care services provided by FRMC. As noted throughout this application, the proposed replacement facility does not increase the capacity of services provided at the hospital. Accordingly, FRMC will provide the following services at its proposed replacement facility:

<i>Imaging Modality</i>	<i>Number of Units</i>
<i>X-Ray</i>	<i>1</i>
<i>General Radiography</i>	<i>2</i>
<i>Mammography</i>	<i>1</i>
<i>DEXA (bone density)</i>	<i>1</i>
<i>MRI[^]</i>	<i>1</i>
<i>Nuclear Medicine</i>	<i>1</i>
<i>Ultrasound</i>	<i>1</i>
<i>CT</i>	<i>1</i>

^FRMC was recently approved for one fixed MRI (Project ID#K-7501-06), which will be relocated to the proposed replacement facility as part of this project."

In addition to the imaging modalities listed above, FRMC intends to develop one mobile pad located at the proposed replacement facility. This mobile pad will serve two purposes. First, should FRMC determine that it needs to provide additional radiology or other diagnostic/ treatment services through a mobile service, having a mobile pad in place will ease the implementation process. Second, mobile pads will allow FRMC to use mobile imaging modalities as back-up should a piece of existing equipment require maintenance.

In addition to rooms designated for the imaging modalities listed above, the radiology department at FRMC's proposed replacement facility will include storage and other support space and patient areas. Upon entering the department, the waiting and reception area is located to the left. Patient changing areas are located throughout the department, serving the various imaging modalities. As with the surgical department, the proposed radiology department includes a substantial amount of storage space.

...

Ancillary Services

Laboratory

The proposed replacement facility will include a full-service clinical laboratory, located on the first floor of the medical center, adjacent to the operating room suite. The proposed lab will be utilized for inpatient and outpatient services at FRMC, including micro-biology, histology, pathology, and phlebotomy. The lab also will include

significantly more support space than FRMC's existing laboratory, including a staff lounge and increased storage areas. Please see Section III.1(a) for a discussion regarding the need for additional laboratory space. ...

...

Pharmacy

The proposed replacement facility will include a full-service pharmacy to support the inpatient acute care, surgical, and emergency services provided by FRMC. The pharmacy will be located on the first floor, adjacent to the cardiopulmonary department and the laboratory. The pharmacy will serve both inpatients and outpatients at FRMC.

...

Cardiopulmonary Services

FRMC intends to continue providing cardiopulmonary services at its proposed replacement facility. The cardiopulmonary department will be located on the first floor between the pre-/post-operative and holding area of the surgical department and the pharmacy. FRMC proposes to include the same cardiopulmonary services it currently provides at its existing facility, which include EKG, stress testing, pulmonary testing, EEC, and echocardiography.

Sleep Therapy

FRMC currently provides sleep therapy services in acute care rooms. FRMC intends to continue providing sleep therapy services at the proposed replacement facility. Rooms designated for sleep services will be located on the third floor of the proposed replacement facility, adjacent to the physical therapy department. The sleep therapy services will include four private, unlicensed patient rooms.

Physical Therapy

The proposed replacement facility will include space on the

third floor designated for physical therapy services. These services largely will support the inpatient acute care services provided at FRMC and also will service the outpatient population. The department will include a gym area for physical therapy patients, as well as a hydrotherapy room.

Support Services

Administration

As in the existing facility, administration will be located on the first floor of FRMC's proposed replacement facility. The department will include the medical center's executive offices as well as accounting, billing, and marketing. ...

Dining Services

Dining services will be provided on the first floor of the proposed replacement facility, adjacent to the laboratory. The food services area will include a kitchen as well as dining areas. Dining areas include a large dining/vending area for visitors, staff, and patients as well as a private dining area located off of the main dining area.

...

Housekeeping and Environmental Services

Housekeeping and environmental services will be located on the first floor, adjacent to the laboratory and the materials management department. In addition to this central location, clean and soiled linen areas will be located on patient floors.

...

Materials Management

FRMC's proposed materials management department will be located on the first floor of the medical center. The department will include over 4,000 square feet of general storage. Supplies will arrive at the medical center at the receiving dock that opens to the storage area of the

materials management department. Laundry services are currently provided through a contract with an outside service, and will continue to be provided in this manner at FRMC's replacement facility.” (Emphasis in original.)

POPULATION TO BE SERVED

The following table illustrates the current and projected patient origin for FRMC, as provided by the applicants in Section III.4(a), page 120, and Section III.5(c), page 126.

COUNTY	% OF TOTAL ACUTE CARE ADMISSIONS	
	FFY 2007	FFY 2012 YEAR TWO
Franklin	71.6%	71.6%
Wake	8.4%	8.4%
Vance	8.1%	8.1%
Nash	4.6%	4.6%
Warren	2.7%	2.7%
Johnston	0.8%	0.8%
Granville	0.7%	0.7%
Halifax	0.7%	0.7%
Other ⁽¹⁾	2.3%	2.3%
Total	100.0%	100.0%

⁽¹⁾ The applicants identify the other North Carolina counties included in Other in a footnote on pages 120 and 126 of the application.

In Section III.5(a), page 124, the applicants state

“The primary service area for the proposed project is Franklin County. According to the methodology presented in Section III.1(b), 71.6 percent of FRMC's current discharges originate within this service area, and it is projected that the same percentage will come from the area in project year three. As shown in the map in Section III.5(b), the proposed site is southwest of the existing site, between Franklinton and Youngsville, the population center of the county. FRMC expects to continue being the provider of choice for most residents of Franklin County with the completion of the proposed replacement facility, and the defined service area is reflective of FRMC's commitment to serve Franklin County.”

The applicants adequately identified the population proposed to be served.

NEED FOR REPLACEMENT FACILITY

In Section III.1(a), page 57, the applicants state that the need to construct a replacement facility is based on the following factors:

“A number of factors drive the need for replacement of FRMC’s facility, not the least of which is the evolution of the health care industry since the construction of FRMC’s existing facility. These changes greatly impact the manner in which health care services are delivered and, perhaps more importantly, the role of hospital facilities in the delivery of health care. Many of these changes have resulted in FRMC’s facility’s not meeting modern standards of hospital design. This section will address the following factors as they relate to the need to replace FRMC’s existing facility:

- *The evolution of the health care industry since construction of FRMC’s original facility in 1951 results in a facility that is no longer representative of modern hospital design standards.*
- *The existing facility has limited space, which impairs FRMC’s ability to grow and adapt to the modern health care environment.*
- *The age of the facility limits the ability of the medical center to make adequate and cost-effective repairs and renovations.*
- *Further compounding the effects of the size of FRMC’s existing facility is the fact that the existing site is landlocked, effectively prohibiting FRMC from making any meaningful expansions to its facility. As a result, FRMC is constrained with respect to its ability to grow and adapt to meet the health care needs of Franklin County.”*

In Section III.1, pages 58-78, the applicants discuss several factors contributing to the obsolescence of the existing hospital facility and necessitating the development of a replacement hospital, including advances in technology (p. 58), the trend toward provision of services in outpatient rather than inpatient settings (pp. 58-61), higher acuity patients (pp. 61-62), and greater requirements for patient privacy (pp. 63-64). The applicants also

describe various facility problems and constraints, including lack of storage space (pp. 64-72), small patient rooms (pp. 72-76), physician recruitment difficulties (pp. 76-77), and the difficulties and expense of maintaining and repairing the aging facility (pp. 77-78).

Further, in Section II.5, pages 35-37, the applicants state

“FRMC’s existing facility does not represent modern standards of hospital design. As the only acute care provider in the county, FRMC believes that it has a duty to ensure that residents of the county have access to high quality health care services. However, the medical center’s existing facility limits its ability to meet this community obligation. Changes in health care delivery since the construction of the existing facility over 50 years ago have resulted in a medical center that is out-of-date. Patient rooms are small, and the majority of beds are located in semi-private rooms. The existing operating rooms are sized below modern recommendations, limiting their ability to support the equipment and technology that is increasingly present in advanced, state-of-the-art surgical procedures.

FRMC is concerned that maintaining the status quo would limit the medical center’s ability to provide high-quality patient care to the residents of Franklin County, thus forcing patients to commute outside of the county to seek hospital services. The age-related decline of the existing facility will only continue, and may result in portions of the hospital being rendered unusable. In addition, as the industry continues to evolve, particularly with respect to the increased use of technology, FRMC’s facility will be unable to accommodate many of these changes. As a result, patients will have to seek modern, state-of-the-art services outside of their community. Since the effects of maintaining the status quo adversely impact the medical center’s ability to provide quality patient care, FRMC believes that this alternative is simply unacceptable.

...

FRMC considered renovating and/or expanding the existing facility. However, this alternative was not deemed

the most effective for a number of reasons. First, as discussed above and in Section III.1(a), the existing facility has numerous issues that FRMC believes must be addressed. Renovating the existing patient care areas, alone, would require that certain patient care areas be closed down for at least a period of time. In addition, FRMC believes that the numerous infrastructure issues cannot be addressed adequately by renovation efforts. Even if these issues could be addressed through a renovation project, the cost associated would be nearly as great as constructing a new facility. Moreover, FRMC is concerned that due to its age, the facility will at some point require replacement and that any renovation effort at this time will only serve to prolong the inevitable. Thus, FRMC believes that investment in any renovation efforts would not be reasonable given the short term life of the existing facility. Not only is FRMC's ability to renovate/expand limited by the existing facility, FRMC's current location greatly impairs the medical center's ability to expand.

Specifically, the site is landlocked, which limits FRMC's ability to expand its facility in any meaningful way. As a result, renovating or expanding the existing facility does not represent the most effective alternative for meeting the health care needs of Franklin County residents.

...

As demonstrated above, the most effective alternative to meeting the health care needs of Franklin County residents is not represented by maintaining the status quo or by renovating or expanding the existing facility. Therefore, FRMC believes that the most effective alternative is to construct and develop a replacement facility. The construction of a replacement facility will allow FRMC to keep the existing facility operational until the new facility is completed, thereby preventing any lapses in hospital care available to Franklin County residents. Additionally, the development of a new medical center will enable FRMC to more effectively address the issues inherent in the existing facility. Specifically, FRMC can design patient care areas that are more amenable to patient-centered care. In addition, the space within the facility not only will support the existing technology and equipment necessary

for the provision of modern hospital services, but also be designed to allow FRMC to adapt to the ever-changing health care industry.”

Need for Project Components

Acute Care Beds

FRMC, which is licensed to operate 70 general acute care beds, proposes to maintain the same total number of licensed acute care beds. However, FRMC proposes to increase the number of ICU beds from 6 to 12, and decrease the number of general medical/surgical beds from 64 to 58. In Section III.1, pages 98-99, the applicants describe the assumptions and methodology used to project utilization of all 70 acute care beds (including ICU beds) as follows:

“FRMC projects total acute care inpatient days to grow at the FFY 2003 to FFY 2007 compound annual growth rate (CAGR) of its Franklin County patient days, 7.1 percent, as shown below.

	<i>FRMC Acute Care Days from Franklin County</i>	<i>Growth Rate (Franklin County)</i>
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<i>Compound Annual Growth Rate</i>		<i>7.1%</i>

The 7.1 percent CAGR in Franklin County patient days is conservative compared to FRMC’s CAGR of total acute care days, 9.9 percent, and FRMC’s CAGR of days originating from outside the county, 19.1 percent.”

In Section III.1, page 105, Section IV, pages 161-163, and Exhibit 13, the applicants provide historical and projected utilization for FRMC’s 70 acute care beds, as illustrated in the following table.

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2005 (actual)	70	12,974	35.5	23.9%	50.8%

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2006 (actual)	70	13,425	36.8	3.5%	52.5%
2007 (actual)	70	13,645	37.4	1.6%	53.4%
2008 (projected)	70	14,609	40.0	7.1%	57.2%
2009 (projected)	70	15,640	42.8	7.1%	61.2%
2010 (projected)	70	16,745	45.9	7.1%	65.5%
2011 (projected) (Year 1)	70	17,927	49.1	7.1%	70.2%
2012 (projected) (Year 2)	70	19,193	52.6	7.1%	75.1%
2013 (projected) (Year 3)	70	20,549	56.3	7.1%	80.4%

As shown in the above table, from FFY 2003 to FFY 2007, the number of acute care days of care provided at FRMC increased from 9,362 to 13,645, which is an increase of 45.7% over the four year period, or an average annual increase of 11.4% per year [$13,645 - 9,362 = 4,283$; $4,283 / 9,362 = 0.457$; $45.7\% / 4 = 11.4\%$].

The following table illustrates total acute care days of care provided at FRMC from FFY 2003 through FFY 2006, as reported by the hospital in its Hospital License Renewal Application forms for the years 2004-2008.

FEDERAL FISCAL YEAR	TOTAL # OF ACUTE CARE DAYS	% INCREASE (DECREASE)
2003	9,348	NA
2004	10,464	11.9%
2005	12,979	24.0%
2006	13,425	3.4%
2007	13,645	1.6%

As shown in the above table, between FFY 2003 and FFY 2007, the number of acute care days of care provided at FRMC increased from 9,348 to 13,645, which is an increase of 46% over the four year period, or an average annual increase of 11.5% per year [$13,645 / 9,348 = 0.46$; $46\% / 4 = 11.5\%$].

The applicants' projected annual growth rate of 7.1% for FRMC's acute care beds is reasonable, based upon historical increases. Further, projected annual growth in the number of acute care days of care to be provided at FRMC is also supported by the projected growth of the primary service area population. Therefore, the applicants adequately demonstrate that projected utilization of the acute care beds is based on reasonable assumptions.

Intensive Care Unit (ICU) Beds

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The applicants propose to increase the number of ICU beds from 6 to 12 beds. In Section III.1, pages 101-103, the applicants describe the assumptions and methodology used to project utilization of the ICU beds as follows:

“In order to project ICU days for the proposed project, FRMC first examined the historical ratio of ICU days to total acute care days.

...

... FRMC [also] examined the data from Granville Medical Center (GMC), a 62-bed hospital located in contiguous Granville County. GMC was used to assess the reasonableness of FRMC’s assumptions due to its similar size and proximity to Franklin County. When excluding GMCs OB services (which are not offered at FRMC), ICU days comprised 17.9 percent of total acute care days in FFY 2006. ...

... However FRMC conservatively projects that the ratio of ICU days to total days will grow to 14.2 percent by PY 3, which is the average of GMC’s FFY 2006 percentage [17.9%] and FRMC’s FFY 2007 percentage [10.5%]. FRMC projects its FFY 2007 historical percentage to grow 5.2 percent annually (FFY 2007 to FFY 2012 CAGR) until reaching the target percentage of 14.2 percent in PY 3.”

In Section III.1, pages 102-103, Section IV, pages 161-163, and Exhibit 13, the applicants provide historical and projected utilization for FRMC’s ICU beds, as illustrated in the following table.

FEDERAL FISCAL YEAR	# OF ICU BEDS	TOTAL # OF ICUDAYS	% INCREASE (DECREASE)	AVERAGE DAILY CENSUS	AVERAGE OCCUPANCY RATE
2003 (actual)	5	717	NA	2.0	39.3%
2004 (actual)	5	929	29.6%	2.5	50.9%
2005 (actual)	5	1,394	50.1%	3.8	76.4%
2006 (actual)	6	1,327	-4.8%	3.6	60.6%
2007 (actual)	6	1,431	7.8%	3.9	65.3%
2008 (projected)	6	1,611	12.6%	4.4	73.6%
2009 (projected)	6	1,814	12.6%	5.0	82.8%
2010 (projected)	6	2,042	12.6%	5.6	93.2%
2011 (projected) (Year 1)	12	2,299	12.6%	6.3	52.5%

2012 (projected) (Year 2)	12	2,588	12.6%	7.1	59.1%
2013 (projected) (Year 3)	12	2,913	12.6%	8.0	66.5%

As shown in the above table, from FFY 2003 to FFY 2007, the number of ICU days of care provided at FRMC increased from 717 to 1,431, which is an increase of 99.6% over the 4 year period, or an average annual increase of 24.9% per year [$1,431 - 717 = 714$; $714 / 717 = 0.996$; $0.996 / 4 = 24.9$]. The applicants' projected growth in ICU days of care is 12.6% per year, which is more conservative than the historical growth. Further, the assumption that 14.2% of total acute care days will be provided to ICU patients is reasonable in comparison to the experience of another area hospital with fewer than 70 licensed acute care beds. Also, as discussed above, the applicants' projected utilization for all 70 acute care beds is consistent with FRMC's historical experience. Further, projected growth in the number of acute days of care to be provided is supported by projected growth in the population of the primary service area. Therefore, the applicants adequately demonstrate that projected utilization of the ICU beds is based on reasonable assumptions.

Observation Beds (Unlicensed)

FRMC proposes to develop two unlicensed observation beds at the proposed replacement facility. FRMC does not currently operate dedicated observation beds, but the hospital does provide observation services in its licensed general acute care beds. In Section III.1, pages 110-112, the applicants describe the assumptions and methodology used to project utilization of the two unlicensed observation beds as follows:

FRMC projects observation patients to grow at the same rate as acute care days, 7.1 percent. Historically, the number of observation patients has grown at 10.4 percent, greater than the projected growth rate. FRMC believes 7.1 percent to be reasonable based on greater historical growth as well as FRMC's current situation. FRMC does not have observation beds in its existing facility, therefore, not all patients who are appropriate for observation are counted as such. It is also reasonable to assume that inpatient days are the primary determinant for observation volume; therefore, as acute care days increase, observation patients will follow. The growth rate is also identical to

ED and outpatient surgery, other determinants of observation volume.”

In Section III.1(b), page 111, the applicants provide historical and projected numbers of observation patients at FRMC, as illustrated in the following table.

FEDERAL FISCAL YEAR	# OF OBSERVATION PATIENTS	% INCREASE (DECREASE)	AVERAGE DAILY CENSUS
2004 (actual)	526	NA	
2005 (actual)	530	0.7%	
2006 (actual)	605	14.2%	
2007 (actual)	707	16.9%	
2008 (projected)	757	7.1%	
2009 (projected)	810	7.0%	
2010 (projected)	868	7.2%	
2011 (projected) (Year 1)	929	7.0%	2.5
2012 (projected) (Year 2)	994	7.0%	2.7
2013 (projected) (Year 3)	1,065	7.1%	2.9

As shown in the above table, during the third operating year, the applicants project that the average daily census in the two unlicensed observation beds would be 2.9 patients. On page 111, the applicants state

“While the two observation beds will only provide 730 available bed days, FRMC believes that its proposed two observation beds will be sufficient to meet the needs of these patients, at least through the third project year. Specifically, observation patients do not typically stay in the beds for an entire day. Many patients are observed for only a few hours, after which time the rooms can be turned over and used for another patient. In addition, FRMC will continue to use vacant acute care beds, if needed, to house observation patients. The four proposed sleep study rooms can also be used as needed, particularly during the day.”

Projected utilization for the two unlicensed observation beds is reasonable in comparison to the historical and projected growth in the other departments of the hospital. Further, the utilization projections are supported by the projected growth in the primary service area population. Therefore, the applicants provided sufficient evidence to demonstrate the reasonableness of its utilization projections and the need for the two unlicensed observation beds.

Emergency Services

FRMC currently operates an emergency department (ED) and the proposed replacement facility will also include an ED. In Section III.1(b), pages 108-110, the applicants provide the assumptions and methodology used to project utilization of the ED as follows:

“FRMC projects emergency services to grow at the same rate as acute care days, 7.1 percent. When examining historical ED volume at FRMC, the utilization of ED services declined slightly in FFY 2006, despite consistent growth in prior years. In FFY 2007 however, ED utilization continued on its upward trend. FRMC believes FFY 2006 data is not indicative of the historical growth in emergency services. For example, from FFY 2003 to FFY 2005, ED visits grew at a CAGR of 8.8 percent (17,939 visits in FFY 2003 to 21,216 visits in FFY 2005), greater than the projected growth of 7.1 percent. Further, the location of the proposed replacement facility enhances accessibility to a large portion of the Franklin County population, which likely will result in a higher utilization of the FRMC ED.

FRMC also examined the growth in ED volume for hospitals in Wake County, a contiguous county to the south of Franklin County. Currently, many residents living in the southern portion of Franklin County utilize Wake County hospitals for ED services, due to proximity. Because of its geographic location and utilization patterns, FRMC believes Wake County to be a reasonable comparison for ED growth. FRMC examined the growth from FFY 2003 to FFY 2006 for all hospitals in the [sic] Wake County. When combining all visits within the county, ED volume increased at a compound annual growth rate of 11.0 percent from FFY 2003 to FFY 2006, greater than FRMC’s projections of 7.1 %.

...

Industry standards for the number of emergency visits per treatment room vary from 1,500 visits per year to around 2,000 visits, depending on patient acuity, level of care provided, and other factors. A 2002 report from the

American College of Emergency Physicians states that the recommended number of annual visits per Emergency Department room is 1,500 visits; however, FRMC realizes the reports on ED capacity vary and remains broad in its assumption of 1,500 to 2,000. At 1,500 visits per room per year, FRMC will need 21 treatment rooms in PY 3 ($31,878 / 1,500 = 21$). FRMC, however, is proposing 16 ED treatment rooms in its replacement facility, to be utilized at 1,992 visits per room per year ($31,878 / 16 \text{ rooms} = 1,992$ visits), at the high end of the industry standards. The proposed 16 rooms is an increase of six rooms from its existing facility.”

In Section III.1(b), pages 109-110, the applicants provide historical and projected utilization for the ED at FRMC, as illustrated in the following table.

FEDERAL FISCAL YEAR	# OF ED VISITS	% INCREASE (DECREASE)
2003 (actual)	17,939	NA
2004 (actual)	19,924	11.1%
2005 (actual)	21,216	6.5%
2006 (actual)	20,358	(4.0%)
2007 (actual)	21,168	4.0%
2008 (projected)	22,663	7.1%
2009 (projected)	24,263	7.1%
2010 (projected)	25,977	7.1%
2011 (projected) (Year 1)	27,811	7.1%
2012 (projected) (Year 2)	29,775	7.1%
2013 (projected) (Year 3)	31,878	7.1%

As shown in the above table, the applicants project that ED visits will increase 7.1% per year, which is less than the average annual increase between FFY 2003 and FFY 2005 [$11.1\% + 6.5\% = 17.6\%$; $17.6\% / 2 = 8.8\%$]. Thus, projected utilization for the ED is consistent with FRMC’s historical experience prior to FFY 2006. Further, the utilization projections are supported by the projected growth in the primary service area population. Therefore, the applicants provided sufficient evidence to demonstrate the reasonableness of the utilization projections and the need for the ED, including 16 treatment rooms.

Surgical Services and GI Endoscopy Services

FRMC is currently licensed for three shared ORs and one GI endoscopy room, and the applicants propose to develop the same

number of rooms in the replacement facility. In Section III.1(b), page 108, the applicants state that they assume surgical cases and GI endoscopy procedures will increase 7.1% per year. In Section III.1(b), page 116, the applicants provide historical and projected utilization of the three shared ORs and one GI endoscopy room, as illustrated in the following tables.

SURGICAL CASES

FEDERAL FISCAL YEAR	# OF SURGICAL CASES	% INCREASE (DECREASE)	AVERAGE # OF SURGICAL CASES PER DAY PER ROOM
2004 (actual)	2,248	NA	2.9
2005 (actual)	2,034	(9.5%)	2.6
2006 (actual)	2,717	33.6%	3.5
2007 (actual)	2,679	(1.4%)	3.4
2008 (projected)	2,868	7.1%	3.7
2009 (projected)	3,071	7.1%	3.9
2010 (projected)	3,288	7.1%	4.2
2011 (projected) (Year 1)	3,520	7.1%	4.5
2012 (projected) (Year 2)	3,768	7.1%	4.8
2013 (projected) (Year 3)	4,034	7.1%	5.2

As shown in the above table, during FFY 2007, 2,679 surgical cases were performed in the three shared ORs at FRMC, which is an average of 3.4 surgical cases per day per room. Therefore, current utilization of the three shared ORs at FRMC exceeds 3.2 surgical cases per room, and thus supports the need to retain three shared ORs at the proposed replacement facility.

GI ENDOSCOPY PROCEDURES

FEDERAL FISCAL YEAR	# OF GI ENDOSCOPY PROCEDURES	% INCREASE (DECREASE)	AVERAGE # OF GI ENDOSCOPY PROCEDURES PER DAY PER ROOM
2004 (actual)	1,218	NA	4.7
2005 (actual)	1,431	17.5%	5.5
2006 (actual)	1,500	4.8%	5.8
2007 (actual)	1,611	7.4%	6.2
2008 (projected)	1,725	7.1%	6.6
2009 (projected)	1,847	7.1%	7.1
2010 (projected)	1,977	7.0%	7.6
2011 (projected) (Year 1)	2,117	7.1%	8.1
2012 (projected) (Year 2)	2,266	7.0%	8.7
2013 (projected) (Year 3)	2,426	7.1%	9.3

As shown in the above table, during FFY 2007, 1,611 GI endoscopy procedures were performed in the one GI endoscopy room at FRMC. Therefore, current utilization of the GI endoscopy room exceeds 1,500 procedures per room at FRMC, and thus, supports the need to retain one GI endoscopy room at the proposed replacement facility.

Sleep Studies

FRMC proposes to develop four unlicensed sleep study rooms at the proposed replacement facility. FRMC does not currently have any dedicated sleep study rooms, but the hospital does provide sleep study services in its licensed general acute care beds. Sleep study patients spend the night at the hospital while undergoing diagnostic tests for sleep related disorders, but do not stay 24 hours and thus do not require licensed acute care beds. In Section III.1(b), page 112, the applicants state that they assume the number of sleep studies performed at FRMC will increase 7.1% per year. In Section III.1(b), page 112, the applicants provide historical and projected numbers of sleep study patients at FRMC, as illustrated in the following table.

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FEDERAL FISCAL YEAR	# OF SLEEP STUDY PATIENTS	% INCREASE (DECREASE)	AVERAGE DAILY CENSUS ⁽¹⁾
2004 (actual)	428	NA	1.4
2005 (actual)	605	41.4%	1.9
2006 (actual)	518	(14.4%)	1.7
2007 (actual)	412	(20.5%)	1.3
2008 (projected)	441	7.0%	1.4
2009 (projected)	472	7.0%	1.5
2010 (projected)	506	7.2%	1.6
2011 (projected) (Year 1)	541	7.0%	1.7
2012 (projected) (Year 2)	580	7.2%	1.9
2013 (projected) (Year 3)	620	7.0%	2.0

⁽¹⁾ The applicants state that the sleep study rooms will operate six days per week or 312 days per year [6 x 52 = 312]. Average daily census was calculated by dividing the number of sleep studies performed each year by 312.

As shown in the above table, the number of sleep studies performed at FRMC decreased from 428 in FFY 2004 to 412 in FFY 2007. Regarding the decrease, on page 112, the applicants state

“Over the previous two years, sleep study volume has declined, primarily due to inappropriate sleep lab conditions. With the projected enhancements brought about through a replacement facility, FRMC expects the sleep lab volume to revert to an upward trend.”

Further, as shown in the table above, between FFY 2004 and FFY 2007, the average daily census of sleep study patients ranged from 1.3 to 1.9 patients per day. During the third operating year, the applicants project that the average daily census in the four unlicensed sleep study rooms would be 2 patients, which is an occupancy rate of 50%. However, the applicants state that the sleep study rooms may also be used for observation patients. In Year Three, the applicants project an ADC of 2.9 observation patients but propose only two unlicensed observation beds. Therefore, at various times there will not be sufficient dedicated observation beds to serve all observation patients. In summary, the applicants provided sufficient evidence to demonstrate the reasonableness of the utilization projections for sleep study patients and the need for the four unlicensed rooms to serve both sleep study patients and overflow observation patients.

Replacement of Other Hospital Departments

With regard to the other hospital departments, including radiology, physical therapy, speech therapy, occupational therapy, cardiopulmonary services, pharmacy, and laboratory, in Section III.1, page 107, the applicants state

FRMC projected all other services, including emergency department, observation, surgery, imaging, and ancillary services, to grow at the same rate as total acute care days. FRMC believes inpatient volume to be a reasonable and a conservative determinant of other services. On average, from FFY 2004 to FFY 2007, ED, observation, surgery, and ancillary services grew at 11.0 percent, higher than the projected growth of 7.1 percent. The 11.0 percent growth was calculated by taking the average of the four-year compound annual growth rates for every service as shown [in the table on pages 107-108 of the application] ... Despite the higher growth, however, FRMC has chosen to project all services to grow at 7.1 percent, the same rate used for acute care days. FRMC believes this growth rate is reasonable, given the proposed relocation to a faster growing area of the county, as well as the attraction of a new, state-of-the-art replacement facility. It is important to note, however, that FRMC would need to maintain this complement of services and equipment, regardless of the projected growth."

The applicants adequately demonstrate the need for the other proposed ancillary departments and support services.

In summary, the applicants adequately identified the population proposed to be served and adequately demonstrated the need for the proposed project. Therefore, the application is conforming to this criterion.

- (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, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NC

FRMC proposes to relocate the facility from Louisburg, which is located near the geographic center of Franklin County, to a site near Youngsville, which is located in the southwestern portion of the county. In Section III.1(a), pages 78-81, the applicants describe why they believe the hospital should be relocated from Louisburg to the proposed location near Youngsville as follows:

“After concluding that developing a replacement facility represented the most effective alternative to meeting the health care needs of Franklin County, FRMC considered which location would be the most appropriate. Since FRMC is seeking to replace its existing facility, it considered the current site. However, the size of FRMC’s existing site is too small to accommodate the construction of an additional facility while maintaining full operations of the existing facility until the project is completed. Moreover, the existing site is landlocked, which limits FRMC’s ability to expand its facility in order to continue to adequately provide health care services to the growing Franklin County community. ...

...

As discussed in Section II.5, FRMC considered developing the replacement facility in Louisburg. Not only has the county seat been home to the medical center throughout its entire existence, it also represents one of the population centers in the county. ... FRMC worked with realtors and Franklin County economic developers to identify available land; in fact, FRMC spent several years examining many sites in the area, looking at many factors, including but not limited to: size of plot, available utilities, access to major roads, cost and environmental assessment. After a thorough examination of possible sites in the area and detailed analyses of the demographics of the county, including the fact that Louisburg is a relatively low growth area when compared to other regions in the county, FRMC concluded that Louisburg was not the best location for a new replacement facility. Although Louisburg is a population center in the county, the area is experiencing the slowest growth rate in the county; indicating that the

population center is in fact shifting away from Louisburg. As a result of these factors, FRMC determined that Louisburg did not represent the most effective alternative site for a new replacement facility. ...

...

As demonstrated in the census tract maps contained on page 77, southeastern Franklin County, along U.S. Highway 401, represents one of the more populated areas in the county. Thus, FRMC also considered locating its replacement facility on a site along this major thoroughfare. However, FRMC faced a new set of challenges. While this area is growing, it does not have a developed township area, and thus does not have sufficient utility infrastructure to support the development of a medical center. In fact it does not appear that county planners have any intention of extending utilities and sewer to this area in the near future, thus limiting any potential growth in this area

...

As discussed in Section II.5, it would be possible to run the necessary utility and sewer lines to a site in order to support the facility; however, the cost associated with these efforts would be borne exclusively by FRMC. As a result FRMC determined that U.S. 401 was not a suitable location for its replacement facility.

...

As discussed elsewhere in this application, a key consideration for FRMC in choosing a location was FRMC's belief that the most effective location for a medical center is that which increases access to health care services for the greatest portion of the population. Thus, FRMC needed to develop its proposed facility in one of the three primary townships in Franklin County: Louisburg, Franklinton, or Youngsville. As discussed above, developing the proposed replacement facility in Louisburg is not a viable option. Thus, FRMC needed a site in or near either Franklinton or Youngsville. The proposed location, between Franklinton and Youngsville,

represents the most appropriate location, based on the following factors:

- *Current and projected population statistics indicate that, this portion of the county is the most densely populated.*
- *Projected population growth statistics indicate that this area is expected to continue growing at a faster rate than other areas within Franklin County.*
- *Southern Franklin County's recent growth in commercial and residential development is expected to continue, supporting the conclusion that this area will likely remain the population center of the county.*
- *The proposed location in Youngsville is more accessible for residents throughout Franklin County due to its location and proximity to several highways crossing the county, including Highway 1, which is the longest stretch of 4-lane highway in the county.*
- *Physicians have indicated that a southern Franklin County location is needed in order to attract and retain the physicians needed to provide services to the Franklin County population."*

The applicants state that the proposed location near Youngsville “*is more accessible for residents throughout Franklin County*” because it is located near several major highways. (Emphasis added.) However, for residents of Franklin County living to the north and east of Louisburg, the proposed location is not as accessible as the current location because they must travel beyond Louisburg to reach the hospital.

In addition, in Section III.8, pages 140-143, the applicants describe why they believe the hospital needs to be replaced and why it should be relocated from Louisburg to the proposed location near Youngsville as follows:

“FRMC’s existing outdated facility limits the quality of service and efficiency of care at the hospital. FRMC needs additional space, a new design, and an upgraded infrastructure to adequately meet patients’ needs.

...

The existing site is only eight acres, most of which is

already occupied by existing buildings, and which is too small for a modern hospital. Even if the site were large enough, remaining at the same location would require shutting down the hospital, demolishing it, and rebuilding completely, a process which would leave the county with no hospital for a number of years. Clearly, another site is needed and replacing the hospital ... also requires relocating the hospital.

...

... As the county's only hospital, FRMC believes that its responsibility is to serve the population of the entire county, not just Louisburg. In order to continue serving the Franklin County population, FRMC must be located where the population is and will be.

Further, the majority of the Franklin County population is currently traveling out of the county for hospital services, much further than patients will be traveling with the proposed relocation. According to data from the Solucient inpatient database, in 2006, more than 70 percent of Franklin County residents accessed inpatient acute care services at other hospitals in other counties, as shown in the [table on page 142 of the application.]

...

As shown, the majority of Franklin County residents are traveling out of the county for care. FRMC believes, and its medical staff confirms, that this trend will continue, unless the hospital is relocated to a site in closer proximity to the majority of the county's population.

...

The population currently served by FRMC is primarily Franklin County While the population of the county was centered in Louisburg when the hospital was built 50 years ago, that is no longer the case, nor is it projected to be. The population of the county is currently more heavily concentrated in the southern portion of the county. Further, this trend is expected to continue through 2020

Thus, in order to continue serving the population of Franklin County, the population it presently serves, it must relocate to where that population lives.”

In Section III.1(a), pages 90-95, the applicants describe several other factors which they state support the need to relocate the hospital to the proposed site near Youngsville, including patterns of commercial and residential growth and accessibility via the existing road system. The applicants state

“Franklin County has been, and is expected to continue, experiencing significant residential and commercial growth. According to Ronnie Goswick, the Director for Economic Development in Franklin County, ‘Franklin County’s proximity to the Research Triangle makes Franklin County an ideal location for businesses. With a combination of compelling land prices and easy access to RTP, more and more businesses are choosing to locate in Franklin County.’ Evidence of this growth is further supported by the fact that the North Carolina Department of Transportation has recently commenced a strategic study of the U.S. 1 Corridor, which connects northeastern Wake County and southwestern Franklin County. This study was implemented in response to increasing developmental pressures, residential and commercial, and the resulting increases in traffic volumes. ...

...

There are many signs of increased commercial development in Franklin County, particularly in the southern regions adjacent to the Raleigh metropolitan area. A number of new industries have expanded operations into Franklin County, including Sprint, Novozymes, Hon Industries, and Martin Marietta. In addition, Southern Lithoplate, which commenced operations in Franklin County in 1993, is proposing to expand operations into Youngsville, with a proposed start date of 2007. By the end of 2006, Youngsville was home to three new commercial buildings.

In addition to its proximity to the Triangle area, business and industry have a number of incentives to expand operations into Franklin County. Specifically, Franklin

County offers a number of financial incentives for industries considering expanding operations into the area, including grants and loans. Due in part to the commercial growth spurred by these incentives, the unemployment rate in this area continues to decline and the county had the highest percentage wage growth of all 13 counties represented in the Research Triangle Park Partnership between 2004 and 2005. In 2006, 197 new jobs were announced [sic] in Franklin County with an additional 140 jobs were announced [sic] through June of 2007. These favorable employment conditions serve to drive the residential growth discussed below.

...

In addition to commercial development, Franklin County is an appealing location for residential growth. The rural, pastoral environment is a draw for individuals and families seeking to move outside of the city limits and county developers have made a concerted effort to preserve this appeal. Another draw to this area is the lower cost of housing, particularly when compared to that of neighboring Raleigh. Specifically, from July to September 2007 the median listing price for a home in Youngsville was \$151,000 compared to \$295,000 in Raleigh. As the fastest growing city in North Carolina, much of Raleigh's growth is beginning to spread into neighboring, suburban areas such as southern Franklin County, spurring continued growth in these regions. Between 2000 and 2007, the number of households in Franklin County increased by nearly 17 percent, which is particularly significant given the county's population. As a result of this growth, Youngsville alone is now home to over 80 subdivisions.

The growth and development in Franklin County only lends further support to the population projections discussed above. Increased residential and industry presence also will encourage many of the newer residents to seek care in their community, rather than commuting to Raleigh. Further, the center of this growth, southern Franklin County, is precisely the location where FRMC is proposing to locate its new facility. Therefore, this area reflects the most effective alternative with respect to increased access

to health care services for the largest, and fastest growing, portion of the population.”

...

One of the key factors that FRMC considered in determining the most appropriate location for the proposed medical center is the accessibility of the facility to the greatest portion [sic] Franklin County residents. As discussed above, the proposed location is central to [sic] largest and fastest growing population in the county. However, in addition to this consideration, FRMC wanted to ensure that the proposed facility’s location was easily accessible for people who had to drive from elsewhere in the county. The current location in Louisburg is not the most accessible, largely due to the lack of development on Highway 401 to Louisburg. However, the proposed location, off of U.S. Highway 1 and N.C. Highway 98, is more visible and more accessible to a larger portion of the Franklin County population. Further improving the accessibility is the recent opening of I-540 to N.C. Highway 64, which creates easy access from I-540 to U.S. 1.”

Further, in Section III.8, pages 143-148, the applicants describe why they believe relocation of the hospital from Louisburg to a location near Youngsville is necessary to recruit physicians willing to remain in Franklin County as follows:

*“FRMC expects one of the greatest effects of the proposed relocation on all patients, including the underserved, to be a remarkable and dramatic increase in the number of physicians on active staff at FRMC, including primary care physicians as well as specialists. FRMC has had considerable success over the past several years recruiting physicians to practice at the hospital. Since 2002, FRMC has successfully recruited 110 physicians; however, **only 17 of those physicians remain on the medical staff today.** While FRMC has been successful at bringing physicians to the community, most have left Louisburg for neighboring communities within a couple years of relocating to Franklin County. In just the past few months, ... several physicians left the staff or reduced their practice time at*

*FRMC, including a gynecologist, a cardiologist, a urologist, and a general surgeon. **Currently, none of the physicians on active staff at FRMC actually live in Louisburg.** Most live in southern Franklin County or Wake County. Most of the physicians who are interested in practicing at FRMC recognize that Franklin County needs physicians and believe that they could be an asset to the medical staff; however, most also realize that the current and future population centers of the county are in the southern part of the county, not in Louisburg. ... Remaining in Louisburg will result in an inability to recruit and retain physicians to the FRMC medical staff, which will have a detrimental impact to the entire community, particularly the medically underserved. Without these physicians on staff at FRMC and practicing in the county, patients will be forced to travel out of the county to access needed health care services, including visits to physician offices, as well as inpatient services. ...*

...

One of the most compelling reasons to relocate the hospital to the proposed site is the positive impact that relocation will have on FRMC's ability to retain physicians to care for the health care needs of Franklin County residents – particularly the medically underserved. Without the proposed replacement hospital and relocation, FRMC will likely continue to have challenges retaining physicians to serve its patient population.

It is important to understand why relocating (not just replacing) the hospital will bring more physicians to the medical staff. First, after coming to FRMC and developing a practice, physicians often look for partners to help expand the practice and to give them the opportunity for time off for vacations and continuing clinical education. Physicians often find, however, that recruiting a partner to practice at the Louisburg facility is difficult, for several reasons. First, the age and condition of the facility is noticeable, and while potential physicians are made aware of the plan to replace the hospital, they are often concerned that the replacement hospital has not been approved and that the plans to relocate the hospital to a more suitable location within the county have been challenged by

Louisburg. ... In the case of the gynecologist that has recently resigned from FRMC's staff, she indicated that her inability to recruit a partner was largely based on the facility's current condition and location. She needed a partner in order to handle the large volume of patients she was treating; but because of the difficulty in recruiting a second physician to her practice, she decided to relocate to Wake County, where she could work with other physicians.

Next, in order to make a physician group practice viable, there must be sufficient patient population in need of the physician specialty and willing to seek care from those physicians. While there are a sufficient number of patients to support primary care groups in Louisburg, the patient population there is not sufficient to support many medical and surgical specialties that should be provided at a community hospital such as FRMC. Because of the geography of Franklin County, most of the population that live in the southern part of the county are oriented to go south for care, rather than go north into Louisburg; the Louisburg population also typically travels south into Wake County when it needs to access services that are not available in Louisburg. Thus, the proposed relocation will serve the residents of the populous southern part of the county, while also serving the Louisburg and northern part of the county as well, by recruiting and retaining physicians that the population of all Franklin County communities must now travel out of the county to access. Without the ability to access the population of the southern part of the county, it will be difficult for FRMC to have a sufficient population base to recruit and retain specialty physicians that should be available to all members of the community, including the medically underserved. This includes such specialties as neurology, cardiology and gynecology, which are not tertiary in nature, but should be available in the community the size of Franklin County.

Please note also that while the proposed relocation is expected to bring more physicians to the medical staff, including more specialists, physicians that are currently practicing in Louisburg do not intend to close their offices there. In addition, FRMC will continue recruiting physicians to care for the entire population of Franklin County, including Louisburg and the northern and

southern sections of the county.

As an example of the impact of a replacement and relocation of a hospital on its ability to recruit and retain physicians, FRMC's sister hospital, Lake Norman Regional Medical Center (LNRMC) in Mooresville, North Carolina, replaced and relocated its facility in 1999. Historically, the hospital had been located in the town of Mooresville, but recognizing the need to replace and expand the hospital, as well as relocate to the growth area of the county, LNRMC relocated the hospital approximately five miles from its previous location to a larger campus closer to the growth center of southern Iredell County. On the day the new hospital opened, LNRMC received approximately 200 applications to the medical staff; this number was so large and unexpected that LNRMC had to bring in additional medical staff coordinators from sister hospitals in order to handle the volume of physician applications. Today LNRMC is located in a booming area and is a thriving community hospital. Similarly, FRMC expects to dramatically increase the number of physicians on its staff once the proposed facility is developed. These physicians, like FRMC, will serve all of the patients of Franklin County, including the medically underserved. Without the ability to recruit these physicians that will be made possible by the proposed replacement hospital, the physicians will not come to Franklin County, and all patients, including the medically underserved, will be denied access to care within their home county. While physicians will undoubtedly continue to exist in neighboring Wake County, patients from Franklin County should not be forced to travel into Wake County for community-level care that should be available at a hospital in their county." (Emphasis in original.)

The applicants state that none of the physicians on FRMC's Medical Staff live in Louisburg. However, in a letter provided by the applicants in Exhibit 5, Hollis Tidmore, M.D., a general and peripheral vascular surgeon on FRMC's Medical Staff, states that he is a resident of Louisburg. Further, in Section V.3, page 174, the applicants quoted the part of Dr. Tidmore's letter where he states he is a resident of Louisburg. Thus, the applicants' emphatic statement on page 95 that "None of the physicians on staff at FRMC live in Louisburg" is not correct. (Emphasis in original.)

However, no other information was provided about the residence of FRMC's physicians.

In Section III.8, pages 148-150, the applicants describe why they believe the proposed relocation of the hospital from Louisburg to a location near Youngsville would not have a negative impact on medically underserved populations living in Franklin County, as follows:

“[T]here is simply no reason to believe that the proposed 12 mile relocation will limit the ability of patients to access adequate care. To imply that the relocation will negatively impact the underserved, one of the following would have to be true:

- 1) the medically underserved would have to be accessing care at the current facility by walking or some other means of transportation that would not enable them to travel an additional 12 miles; or,*
- 2) FRMC would have to change its business office policies because of the relocation.*

In fact, neither of these is true. Specifically, FRMC is not aware of a single patient that has walked to the hospital to access any type of care. Most patients who are not brought to the hospital by ambulance arrive by car; the majority are driven by a friend or other caregiver so that the patient does not have to drive him- or herself home after their procedure or test. Further, Louisburg is not served by public transportation; thus, moving the hospital out of Louisburg will not change the availability of public transportation for patients without their own vehicles.

In addition, FRMC is not changing its admissions policies because of the relocation. FRMC will still care for all patients in need of treatment, as stated in its existing policies. Moreover, FRMC recently expanded its policies concerning care to the uninsured, as explained in Section VI, discounting its charges 60 percent for uninsured patients.

The proposed relocation closer to a growing population is consistent with other hospitals' proposals. Specifically, the CON Section approved a relocation by Brunswick

Community Hospital, which proposed relocating over four miles from its existing location, toward a more populated area of the county and away from the geographic center of the county. In that review, the applicant stated that the relocation would have no impact on its population based on two factors: 1) the hospital was not changing its admission policies, and 2) the hospital's proposed site would be accessible by major roads and highways. Similarly, FRMC is not proposing to change its admission policies, and the proposed site is accessible by a major four-lane highway, US 1. In fact, the proposed site is more accessible in terms of road access than the existing site, which sits on a two-lane road. The proposed relocation is also consistent with the application of Good Hope Hospital, which proposed to relocate its hospital approximately 10 miles. While the application as a whole was denied, the applicant was found conforming with Criterion 3a. Similarly, FRMC believes that its proposed project will enhance access to all residents, including the poor, indigent, and medically underserved, by developing a new hospital located on a major highway in the county.

The Agency findings on the previous application indicated that the proposed location would represent a hardship to the population of the Bunn area as well. Although the distance from Bunn to the proposed site is approximately five miles further than to FRMC's current location, FRMC does not believe that this represents a hardship to the population. As noted in a letter of support from Dr. Kumar, a primary care physician in Bunn, he is in support of the proposed project and does not believe that the proposed site represents a hardship to his patients. In addition, a letter of support from the Mayor of Bunn also indicates that she does not believe the five mile difference to represent a barrier to access. Please see Exhibit 19 for her letter." (Emphasis in original.)

The applicants state that the proposed location is only 12 miles from the existing location. However, according to MapQuest the proposed location is approximately 16 miles from the existing location and 25 minutes travel time. Moreover, the applicants state that residents living in places like Centerville would not be negatively impacted because they already travel to the hospital by car and a few extra miles would not create a hardship. However,

according to MapQuest, Centerville is approximately 13 miles from Louisburg and the trip takes approximately 18 minutes. If FRMC were to be relocated to a site near Youngsville, residents of Centerville would have to drive approximately 28 miles and the trip would take approximately 43 minutes. Thus, for the residents of Centerville, the trip to the hospital would be 15 miles longer [$28 - 13 = 15$] and take an additional 25 minutes [$43 - 18 = 25$]. In other words, a trip to the hospital would take twice as long as it does now [$43 / 18 = 2.4$]. The applicants did not adequately demonstrate that more than doubling the time it takes to reach the hospital would not adversely affect the residents of Centerville with respect to access to services currently provided by FRMC.

Further, the applicants compare their proposal with Brunswick Community Hospital's proposal to relocate the existing hospital only four miles from its current location. However, the two proposals are not comparable. Brunswick Community Hospital is currently located on U.S. Highway 17 in Bolivia, which is located roughly in the geographic center of the county. Brunswick Community Hospital has been approved to develop a replacement hospital four miles from its current site in Supply, which is also located on U.S. Highway 17 and is also roughly in the geographic center of Brunswick County. In comparison, the applicants propose to relocate FRMC from the geographic center of the county to the southwest portion of the county and three miles from the Franklin-Wake county line.

In Section III.8, pages 150-159, the applicants describe several measures, which they claim will ensure that the proposed relocation from Louisburg to a location near Youngsville will not negatively impact medically underserved populations living in Franklin County, as follows:

“FRMC is proposing to institute a number of measures that will ensure complete access to the proposed facility for the medically underserved. In fact, FRMC believes that these proposals, if approved, will not only mitigate any access issues for the medically underserved, but will actually increase access to all patients, including the underserved, to levels beyond that currently available at any community hospital in the region. ...

- 1. Expand physician coverage in Louisburg and in eastern Franklin County.*

- a. *First, FRMC will commit to recruiting a new primary care physician to meet the needs of the population in the eastern portion of the county, such as Bunn or Centerville. FRMC currently has one primary care physician in Bunn, Dr. Kumar. As indicated in his letter of support, he does not believe that there is currently sufficient need in Bunn for additional primary care physicians; however, if that need arises during the development of the proposed project, FRMC will consider recruiting a physician to Bunn. Alternatively, FRMC could locate a physician in Centerville, in the northeast part of the county. FRMC does not currently have a primary care physician practicing in this area of the county, so establishing an office there would expand coverage for area patients.*
- b. *Next, FRMC is working with Wake Health Services, which recently received a grant of \$600,000 to recruit an additional physician to provide care to the underserved population. In conversations with Wake Health Services (WHS), FRMC understands that WHS' current plan is to locate this physician in the outskirts of Louisburg. FRMC will work with WHS to bring this physician to the community.*

Impact: The impact of expanding physician coverage in these communities will be to provide opportunities for more patients to access primary care services close to home. This is particularly important for the indigent and medically underserved. As additional physicians enter the community and become members of the medical staff at FRMC, utilization at FRMC is also expected to increase.

2. *Expand and enhance FRMC's existing relationship with Franklin Volunteers of Medicine (VOM). This organization is a volunteer project of area physicians to provide free or reduced cost care to the medically underserved. The VOM's medical director, Dr. Philip Stover, is an employed physician of Louisburg H.M.A. Physician Management, Inc., and many of Louisburg H.M.A. Physician Management, Inc.'s employed physicians donate time to the clinic. VOM also*

receives annual donations from FRMC, which will continue. FRMC is also willing to donate space in Louisburg, perhaps at the vacated hospital, for VOM to continue providing this essential service to the community.

Impact: By continuing to support VOM and providing space to the organization, FRMC believes it will assist VOM in its role of providing medical care to the underserved.

3. *Expand access to emergency and urgent care services. As part of this proposal, FRMC will provide the following:*
 - a. *Donated space for EMS in Louisburg. As stated in Section II.9, FRMC understands that Franklin County EMS is in need of additional space, including additional morgue space. FRMC will make space available in the vacated facility in Louisburg for EMS, if EMS needs it.*
 - b. *Funding for additional ambulance for Franklin County EMS. FRMC is committed to assisting EMS in providing emergency transportation services to county residents. FRMC is including \$100,000 in its capital costs for the proposed project, which will be used to purchase an additional ambulance for EMS, if needed. Although this proposal does not represent a new institutional health service and the ambulance would not be owned by FRMC, it is including the expense in the capital costs for the proposed project as part of its commitment to mitigating any barriers to access caused by the proposed relocation.*
 - c. *Expand services at Perry-Medders Medical Group (PMMG) to include urgent care. Currently, the Perry-Medders Medical Group, which is owned by FRMC's sister company, operates a medical office in Louisburg. FRMC would commit to expanding services at PMMG to include additional services and hours of operation. Please see Exhibit 33 for a letter from Julie Do, an officer of the Perry-Medders Medical Group, stating its intent to expand services as described below. Specifically,*

the PMMG would provide the following:

- i. Maintain current hours (which are 8 AM to 5 PM, Monday through Friday) for primary care and expand to provide urgent care services 8 AM to 11 PM, Monday through Friday and 11 AM to 11 PM on weekends.*
- ii. Continue existing services, which include primary care, laboratory, and X-ray, and expand services to include urgent care services, as described above.*

Impact: These proposals will enable EMS to expand its services, if needed, to continue providing emergency transportation services to residents of the county. In addition, the expansion of urgent care services at PMMG will provide urgent care services in Louisburg during the hours that they are needed. This proposal is based on an analysis conducted by FRMC regarding visits to its Emergency Department (ED). FRMC examined 32 months of data from February 2005 through September 2007 and determined the following:

- Of the total number of visits to the ED during this timeframe, 97 percent were urgent or non-emergent visits; the remaining three percent of visits were emergent or critical cases.*
- Of the total number of visits, 66 percent, or two-thirds, were non-emergent or urgent visits that occurred between 8 AM and 8 PM.*

Thus, by expanding services at PMMG to include urgent care between the hours of 8 AM and 11 PM (weekends 11 AM to 11 PM), the PMC could care for more than 66 percent of all visits currently coming to FRMC's ED, assuming that all those patients chose to seek care in Louisburg, rather than at the proposed new hospital. Moreover, the remaining 31 percent of urgent and non-emergent cases that occur after the urgent care is closed can be treated within a few hours when the urgent care re-opens, since the cases do not need immediate treatment. FRMC expects that patients will choose to access care at the proposed replacement hospital; however, it does believe that the expansion of

services through the PMMG will provide another point of access for patients who choose to utilize it. In addition, PMMG can provide urgent care at a lower cost than the ED.

PMMG would not be able to treat emergency or critical patients, which comprise three percent of the total number of cases treated at FRMC, as indicated above. These cases will continue to be brought to FRMC at its proposed location by EMS or other means. As noted above, FRMC is proposing \$100,000 as part of the capital costs of this project in order to provide an additional ambulance for EMS, if needed. It is also important to understand that while FRMC does and will operate a fully-staffed 24/7 Emergency Department, many of the truly emergent and critical cases are transported to a tertiary care facility, either directly or after being initially treated at FRMC. As a community hospital, many of the specialties needed to treat emergency and critical conditions are functioning at limited capacity or not at all. For example, FRMC lost one neurologist on active staff to treat stroke victims, leaving only one neurologist at the hospital. As a result the sole cardiologist on active staff recently moved his practice to Raleigh and is only practicing at FRMC a few days a week. Thus, while FRMC is capable of caring for and stabilizing these patients, most have to be transferred to tertiary facilities capable of treating their conditions.

For example, during the public comment period of the previous application, some comments were raised regarding the ability of emergency patients, such as heart attack victims located in the northeast part of the county, to adequately access care if the hospital were to be relocated. As a community hospital without interventional cardiac catheterization capabilities, FRMC is limited in its ability to treat such patients. In fact, FRMC is one of a number of community hospitals that participates in a program with Duke University Hospital to provide rapid care to heart attack patients. Under this program, heart attack patients are directed to Duke University Hospital, where they can receive immediate intervention, 24-hours per day. For these

patients, rapid intervention is critical to saving heart muscle; because FRMC does not provide interventional (or diagnostic) cardiac catheterization services, these patients go to Duke or another tertiary facility for immediate treatment. Therefore, the relocation of FRMC will have no impact on these patients. This fact was highlighted in a recent news article, which explained that patients from Person County are transported directly to Duke when the EMT suspects a heart attack; in this way, the community hospital's emergency department is completely bypassed in order to save precious time. Please see Exhibit 34 for a copy of this article. The need for immediate care at a tertiary facility is also part of EMS' assessment at the scene. As noted in the letter from Jeff Bright in Exhibit 34, EMS personnel examine patients at the scene, and patients who need care for trauma, heart attack, stroke, or burns are often transported directly to a tertiary care facility, which can offer immediate intervention and higher levels of care than are available at a community hospital. With no neurologist or cardiologist on active staff at FRMC, the medical center is unable to provide the same care to stroke or cardiac patients that a tertiary care facility with a number of these specialists on staff could provide.

Further, based on information from Franklin County EMS, while FRMC receives the majority of EMS patients, a significant percentage of patients (26.4 percent) are transported to other facilities, even given FRMC's current location. As indicated in the EMS letter, the decision regarding the facility to which to transport the patient involves a number of factors, not just the location of the facility.

In summary, the proposed expansion of services at PMMG to include urgent care, along with FRMC's willingness to provide an ambulance and space in Louisburg for EMS, will positively impact the ability of patients to access an appropriate level of care, whether in Louisburg's urgent care center, or by being transported to FRMC or another facility for emergent or critical care.

4. *Provide transportation to the medically underserved in need of access to FRMC's services.*

A number of comments made during the public comment period for the previous application as well as issues raised by the Agency in the findings on that application indicated that FRMC did not demonstrate that the medically underserved would have the same access to the proposed relocated hospital as they do currently. As stated above, FRMC is not aware of any patients who walk to the existing site, and with no public transportation available in Louisburg, patients are either driving or being driven by friends or family members, or perhaps through taxicab services. Thus, the proposed relocation would not prevent patients from continuing to access care at FRMC through these means. Nonetheless, FRMC is committed to ensuring that patients have access to care, particularly the medically underserved. FRMC has contacted the Kerr Area Transportation Authority, which provides subscription and dial-a-ride services through its Kerr Area Rural Transit System (KARTS). Thus [sic] program provides rides for residents of Granville, Franklin, Person, Vance and Warren counties. As indicated by the letter and draft contract in Exhibit 29, FRMC will contract with KARTS to provide transportation services to patients in need of rides to the hospital, particularly those that are the medically underserved: Medicare, Medicaid and the indigent. The program will allow any medically underserved patient who needs transportation to FRMC to arrange a ride from KARTS, who will then bill FRMC for the service. The patient will not incur any costs and the transaction will be completely transparent to the patient. FRMC recognizes that not all medically underserved patients will choose to use this system; however, it is providing costs in the proforma income statement for this service, assuming that every Medicare, Medicaid and self-pay patient will use the system (at an average projected cost of \$20 per ride, one-way). As explained in further detail in the assumptions to the proforma income statement, FRMC assumes four rides per year for each Medicare, Medicaid and self-pay admission, which allows one round trip for the inpatient admission and

another round trip for any outpatient services that may be needed prior to or following the patient's admission. The projected expense for this program is not a maximum; however, FRMC believes it is conservative, considering that not all of these patients use the KARTS system currently and would not be expected to do so in the future.

Impact: The impact of providing transportation to the underserved will be to ensure continued access to the proposed relocated hospital. FRMC believes that by providing this service at no charge to the medically underserved, it will eliminate any real or perceived negative impact on the level of access by the medically underserved to its proposed services."

In summary, the applicants propose the following measures, which they say will ensure that the proposed relocation of the hospital from Louisburg to a location near Youngsville will not negatively impact medically underserved populations living in Franklin County:

- “[C]onsider recruiting a physician” to be located in either Bunn or Centerville.
- Work with Wake Health Services, which has grant to recruit a physician to provide care to underserved populations. This physician will probably be located in Louisburg.
- Expand the hospital’s relationship with Franklin Volunteers of Medicine, a group of physicians which provide free or reduced cost care. FRMC would donate space for the group in Louisburg.
- Donate space to EMS in Louisburg.
- Donate \$100,000 to EMS to purchase a new ambulance.
- Provide urgent care services at Perry-Medders Medical Group between 8 am and 11 pm, Monday through Friday and 11 am to 11 pm on Saturday and Sunday.
- Contract with the Kerr Area Transportation Authority (KARTS) to provide transportation services to medically underserved populations. According to the proposed agreement provided in Exhibit 29, the service is available Monday through Saturday, between 5:00 a.m. and 7:00 p.m. All trips must be scheduled in advance.

However, the applicants did not adequately demonstrate that relocating the hospital from Louisburg, which is located in the geographic center of Franklin County, to the site near Youngsville in the southwestern portion of Franklin County, combined with the development of the above alternative arrangements, will adequately meet the needs of the population it presently serves. The applicant proposes to relocate the hospital approximately 16 miles and 25 minutes driving time to the south and west from the existing site, and within 3 miles of the Franklin-Wake County border. As such, it is reasonable to assume that the proposed location will generally improve geographic access for residents of the western and southern portions of the county, but will generally, and for some, significantly, increase travel times for residents in the northern and eastern portions of the county that need the hospital's services. Of course, depending on the specific location of a resident's home within each of the census tracts, as well as their proximity to existing road systems, the impact on travel times of the proposed relocation will vary within each census tract.

The following table shows 2007 population estimates for Franklin County by census tract, as provided by the applicants in Section III.1(b), page 84. The table also indicates the geographic location, and identifies a township or municipality included each census tract.

CENSUS TRACT	GEOGRAPHIC LOCATION WITHIN THE COUNTY	TOWNSHIP / MUNICIPALITY	2007 POPULATION
601	north central	Ingleside	4,913
602	north east	Centerville	3,623
603	central	Louisburg	8,155
604	west central	Franklinton	7,889
605	south west	Youngsville	10,123
606	south central	New Hope	8,060
607	east central	Justice	4,192
608	south east	Bunn	9,273
Total			56,228

In general, the applicants' proposed site near Youngsville will negatively impact geographic accessibility for residents of census tracts 601 (Ingleside), 602 (Centerville), 603 (Louisburg), 607 (Justice), and 608 (Bunn). It should be noted that although census tract 608 is located in the southeastern portion of the county, most of the census tract is geographically further from the proposed Youngsville site than from the present Louisburg site. For

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example, the Town of Bunn is 17 miles from the proposed Youngsville site, but only 12 miles from the present Louisburg site. Therefore, for purposes of this comparison, residents of census tract 608 are considered to be negatively impacted in terms of geographic accessibility by the proposed relocation to Youngsville.

Further, the applicants' proposed "alternative arrangements" are not comparable to the services being relocated. The existing hospital in Louisburg provides inpatient services, 24/7 emergency services, and surgical services. The applicants' proposed "alternative arrangements" consist of additional primary care physicians, urgent care services, an ambulance and scheduled transportation services. However, the applicants do not demonstrate that the "alternative arrangements" will adequately meet the needs of the residents of Franklin County residing in the northern or eastern portions of the county because those residents will have to travel significantly farther than they do now to access inpatient services, 24/7 emergency services, and surgical services.

Further, several comments received by the Agency during the public comment period of this review argued that the residents of Franklin County that will be negatively impacted by the relocation include relatively higher populations of medically underserved groups, including lower income persons, the elderly, and racial minorities. The following table illustrates the 2000 population of Franklin County census tracts by area of the county.

CENSUS TRACT	GEOGRAPHIC LOCATION WITHIN THE COUNTY	2000 POPULATION	% OF TOTAL POPULATION ⁽¹⁾
NORTHERN & EASTERN CENSUS TRACTS (closer to present hospital site)			
601	north central	4,282	9.1%
602	north east	3,449	7.3%
603	central	8,019	17.0%
607	east central	3,357	7.1%
608	south east	7,766	16.4%
Subtotal		26,873	56.9%
SOUTHERN & WESTERN CENSUS TRACTS (closer to proposed hospital site)			
604	west central	6,855	14.5%
605	south west	7,616	16.1%
606	south central	5,916	12.5%
Subtotal		20,387	43.1%

⁽¹⁾ In 2000, the total population of Franklin County was 47,260.

Source: 2000 Census data obtained from the U.S. Census Bureau web site.

As shown in the above table, the five census tracts that will be negatively impacted in terms of geographic accessibility by the proposed relocation of the hospital to Youngsville included almost 57% of the population of Franklin County in 2000. Even if the population of the southern and western census tracts increased at a faster rate than the population of the northern and eastern census tracts, a substantial percentage of the population of Franklin County would still be negatively impacted by the proposed relocation.

Further, the residents of Franklin County who will be negatively impacted by the relocation include relatively higher populations of medically underserved groups, including lower income persons, the elderly, and racial minorities. The following tables summarize per capita income, poverty status, age and minority population data for Franklin County by census tract.

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PER CAPITA INCOME IN 1999

CENSUS TRACT	GEOGRAPHIC LOCATION WITHIN THE COUNTY	PER CAPITA INCOME IN 1999
NORTHERN & EASTERN CENSUS TRACTS (closer to present hospital site)		
601	north central	\$14,092
602	north east	\$15,969
603	central	\$17,227
607	east central	\$17,801
608	south east	\$18,087
Weighted Average		\$16,886
SOUTHERN & WESTERN CENSUS TRACTS (closer to proposed hospital site)		
604	west central	\$15,900
605	south west	\$20,477
606	south central	\$18,801
Weighted Average		\$18,452

Source: 2000 Census data obtained from the U.S. Census Bureau web site.

As shown in the above table, the per capita income for the northern and eastern census tracts (601, 602, 603, 607 and 608) was \$16,886 in 1999. In contrast, the per capita income for the southern and western census tracts (604, 605 and 606) was \$18,452, a difference of more than \$1,500 per year for every person living in the eastern census tracts [$\$18,452 - \$16,886 = \$1,566$].

POVERTY STATUS IN 1999

CENSUS TRACT	GEOGRAPHIC LOCATION WITHIN THE COUNTY	# OF INDIVIDUALS BELOW THE POVERTY LEVEL	% OF TOTAL POPULATION ⁽¹⁾
NORTHERN & EASTERN CENSUS TRACTS (closer to present hospital site)			
601	north central	735	1.6%
602	north east	522	1.1%
603	central	1,087	2.4%
607	east central	317	0.7%
608	south east	950	2.1%
Subtotal		3,611	7.9%
SOUTHERN & WESTERN CENSUS TRACTS (closer to proposed hospital site)			
604	west central	1,027	2.2%
605	south west	658	1.4%
606	south central	494	1.1%
Subtotal		2,179	4.7%

⁽¹⁾ In 1999, the total population of Franklin County was 45,984.

Source: 2000 Census data obtained from the U.S. Census Bureau web site.

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As shown in the above table, in 1999, 7.9% of the population of the northern and eastern census tracts (601, 602, 603, 607 and 608) were living below the poverty level. In contrast only 4.7% of the population of the southern and western census tracts (604, 605 and 606) were living below the poverty level.

65 AND OLDER POPULATION IN 2000

CENSUS TRACT	GEOGRAPHIC LOCATION WITHIN THE COUNTY	# OF INDIVIDUALS 65 AND OLDER	% OF TOTAL POPULATION ⁽¹⁾
NORTHERN & EASTERN CENSUS TRACTS (closer to present hospital site)			
601	north central	499	1.1%
602	north east	536	1.1%
603	central	1,388	2.9%
607	east central	336	0.7%
608	south east	658	1.4%
Subtotal		3,417	7.2%
SOUTHERN & WESTERN CENSUS TRACTS (closer to proposed hospital site)			
604	west central	809	1.7%
605	south west	535	1.1%
606	south central	433	0.9%
Subtotal		1,777	3.8%

⁽¹⁾ In 2000, the total population of Franklin County was 47,260.

Source: 2000 Census data obtained from the U.S. Census Bureau web site.

As shown in the above table, in 2000, 7.2% of the population of the northern and eastern census tracts was 65 and older. In contrast, only 3.8% of the population of the southern and western census tracts was 65 and older.

MINORITY POPULATION IN 2000

CENSUS TRACT	GEOGRAPHIC LOCATION WITHIN THE COUNTY	# OF PERSONS IDENTIFYING THEMSELVES AS A MINORITY	% OF TOTAL POPULATION ⁽¹⁾
NORTHERN & EASTERN CENSUS TRACTS (closer to present hospital site)			
601	north central	2,110	4.5%
602	north east	955	2.0%
603	central	3,728	7.9%
607	east central	1,065	2.3%
608	south east	2,461	5.2%
Subtotal		10,319	21.8%
SOUTHERN & WESTERN CENSUS TRACTS (closer to proposed hospital site)			
604	west central	3,427	7.3%
605	south west	1,223	2.6%
606	south central	1,001	2.1%
Subtotal		5,651	12.0%

⁽¹⁾ In 2000, the total population of Franklin County was 47,260
 Source: 2000 Census data obtained from the U.S. Census Bureau web site.

As shown in the above table, in 2000, 10,319 people or 21.8% of the population of the northern and eastern census tracts were members of a racial minority. In contrast, only 5,651 people or 12.0% of the population of the southern and western census tracts were members of a racial minority. In other words, there were almost twice as many members of a racial minority living in the northern and eastern census tracts compared to the southern and western census tracts [10,319 / 5,651 = 1.8].

As shown in the above tables, there is indeed evidence that the residents of Franklin County that will be negatively impacted by the relocation include relatively higher proportions of medically underserved groups, including lower income persons, the elderly, and racial minorities. The northern and eastern census tracts have a lower per capita income, higher percentage of persons 65 and older and a higher percentage of racial minorities. However, the applicants did not adequately demonstrate that these populations would not be adversely affected in their ability to obtain needed acute care, emergency and surgical services provided only at the hospital in Franklin County.

In summary, the applicants did not adequately demonstrate that the needs of the population presently served will be met adequately by the proposed relocation, including “alternative arrangements.” Further, the applicants did not adequately demonstrate the effect of the relocation of the services on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed acute care, emergency and surgical services. Therefore, the application is not conforming to this criterion.

- (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

In Section II.5, pages 35-41, the applicants discuss the alternatives considered prior to submission of this application and the basis for selection of the proposed project. However, the application is not conforming to all applicable statutory and regulatory review criteria. See Criteria (3a), (13c), (18a) and (20) for discussion. Therefore, the applicants did not adequately demonstrate that the proposed project is an effective alternative. Consequently, the application is not conforming to this criterion and is disapproved.

- (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

In Section VIII.1, page 213, the applicants project that the total capital cost of the project will be \$103,908,093, including \$3,250,000 for purchase of the site, \$9,100,000 for site prep costs, \$59,500,000 for construction, \$14,207,293 for equipment, \$725,000 for landscaping, \$7,225,800 for consultant fees and \$9,900,000 for contingencies. In Section IX, page 221, the applicants project there will be no start-up or initial operating expenses. In Section VIII.6, page 216, and Exhibit 22, the applicants state that the capital needs of the project will be financed with the

accumulated reserves of HMA, the parent company of Louisburg H.M.A., Inc. and Rex, as shown in the following table.

	<u>Percentage</u>	<u>Total Contribution</u>
HMA	70%	\$72,735,665
Rex	30%	\$31,172,428
Total	100%	\$103,908,093

Exhibit 22 contains a letter signed by the Chief Financial Officer for HMA, which states

“We understand that Louisburg H.M.A., Inc. d/b/a Franklin Regional Medical Center is proposing to develop a replacement facility. The proposed project will be developed by Franklin Regional Medical Center, LLC whose members include Louisburg H.M.A., Inc. and Rex Hospital, Inc. As part of its membership contribution in FRMC, Louisburg, H.M.A., Inc. intends to fund 70 percent of the capital costs for the replacement hospital project. As the parent company of Louisburg, H.M.A., Inc., Health Management Associates, Inc. (H.M.A.) will fund Louisburg H.M.A.’s portion of the capital costs. In addition, H.M.A. is committed to fund up to 100 percent of the capital costs, if necessary. As noted in FRMC’s certificate of need application the total cost of the project is approximately \$103,908,093.

H.M.A. has several funding options available for the project, including cash held in reserves and funds from operations (net income). ... In addition, H.M.A. has a \$500 million line of credit to use at its discretion.”

Exhibit 23 contains audited financial statements for HMA, which show that, as of December 31, 2006, HMA had \$66,814,000 in cash and cash equivalents, \$4,490,952,000 in total assets and \$2,406,122,000 in total stockholders’ equity (total assets less total liabilities). Further, during FY 2006, HMA’s net income was \$182,749,000.

Exhibit 22 contains a letter signed by the Vice President of Finance for Rex, which states

“The purpose of this letter is to certify that Rex Hospital, Inc. (‘Rex Hospital’) has committed the necessary funds to finance part of the capital costs for Franklin Regional Medical

Center, LLC's ('FRMC's') Replacement Hospital Project Specifically, as part of its membership contribution in FRMC, Rex Hospital intends to fund 30% of the capital costs for FRMC's Replacement Hospital Project. In that regard, Rex Hospital is committing \$34,289,671 from accumulated reserves for the Replacement Hospital Project's capital cost, and for other funding needs of the project, as necessary."

In a footnote, the Vice President of Finance for Rex states "*Rex Hospital, Inc. intends to fund 30 percent of the proposed capital costs. However, Rex has committed up to 33 percent of the total capital costs to account for any future changes in capital costs and/or inflation.*" Exhibit 23 contains audited financial statements for Rex, which show that, as of June 30, 2007, Rex had \$4,632,000 in cash and cash equivalents, \$16,540,000 in short-term investments, \$459,134,000 in total assets and \$292,767,000 in net assets (total assets less total liabilities).

In the projected revenue and expense statement, the applicants project that revenues will exceed operating costs in each of the first three years of operation. The assumptions used by the applicants in preparation of the pro formas are reasonable, including projected utilization, costs and charges. See the pro forma section, which follows Section XII, for the pro formas and assumptions. See Criterion (3) for discussion of utilization projections.

In summary, the applicants adequately demonstrate the availability of sufficient funds for the capital needs of the project and adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues. Therefore, the application is conforming to this criterion.

- (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

FRMC proposes to construct a replacement hospital near Youngsville, to include 70 general acute care beds, three ORs and one GI endoscopy room, to address deficiencies in its existing facility. FRMC is the only acute care hospital located in Franklin County. The applicants adequately demonstrated the need for all

services proposed to be developed in the replacement facility. See Criteria (1) and (3) for analysis and discussion. Therefore, the applicants demonstrated that the proposed project is not an unnecessary duplication of existing or approved health service capabilities or facilities, and is conforming to this criterion.

- (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

In Table VII.1, page 211, the applicants state that FRMC currently has 456 full-time equivalent (FTE) positions and project that FRMC will increase its staff to 526.4 FTE positions by the second project year. Exhibit 18 contains a letter from Steven J. Schwam, M.D., FRMC's Chief of Medical Staff and Chairman of the Board of Trustees, committing to serve as medical director for the proposed replacement hospital. The applicants demonstrate the availability of adequate health manpower and management personnel for the provision of the proposed services. Therefore, the application is conforming to this criterion.

- (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

In Section IV.5, page 170, the applicants state that all necessary ancillary and support services are "*currently in place.*" FRMC currently has transfer agreements with area health care facilities, including WakeMed and Maria Parham Medical Center. In Exhibit 15, the applicants provide copies of the transfer agreements. In Exhibit 5, the applicants provide letters from 24 local physicians expressing support for the proposed project. Rex Hospital, Inc. and Louisburg HMA, Inc. are members of Franklin Regional Medical Center, LLC, which will own and operate the proposed replacement hospital. See Criterion (3) for additional discussion. The applicants adequately demonstrated that the necessary ancillary and support services will be available for the replacement hospital and that the services will be coordinated with

the existing health care system. Therefore, the application is conforming to this criterion.

- (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

- (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

NA

- (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

- (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 applicants propose to construct a replacement hospital with 184,323 square feet that will have 70 beds (58 general medical/surgical beds and 12 ICU beds) all of which will be private rooms. In Section XI.7, page 238, the applicants state that applicable energy savings features will be incorporated into the construction plans. In Exhibit 28, the applicants provide a letter signed by an architect licensed in North Carolina, which states

“To the best of our knowledge and professional judgment, HHCP Architects, PA (HHCP) submits this Statement of Probable Construction Costs of the proposed referenced project and hereby certifies same to be representative of costs that may be incurred for construction, exclusive of equipment installations, furnishings and professional fees.

New Replacement Hospital \$79,225,000.”

The architect included the construction, site prep, landscaping and project contingency costs in his estimate. The architect’s estimate is consistent with the construction, site prep, landscaping and project contingency costs projected by the applicants in Section VIII.1, page 213. The applicants adequately demonstrated that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. See Criterion (5) for discussion of costs and charges. The application is conforming to this criterion.

- (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 handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

The following table illustrates the current payor mix for all services provided at FRMC during FY 2007, as reported by the applicants in Section VI.10, page 185.

PAYOR CATEGORY	% OF TOTAL PATIENT DAYS/VISITS/PROCEDURES
Self Pay / Other ⁽¹⁾	11.2%
Medicare	36.6%
Medicaid	15.4%
Blue Cross	17.3%
Commercial	19.5%
Total	100.0%

⁽¹⁾ The applicants state that "Other" includes worker's compensation and other government.

The applicants demonstrated that medically underserved populations currently have adequate access to the services provided at FRMC. 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 handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

An examination of the licensure and certification files in the Division of Health Service Regulation indicates that there have been no civil rights access complaints filed against FRMC within the last five years. 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

NC

In Section VI.12, page 196, the applicants state

“The payor mix for all services at FRMC is projected to remain the same as that experienced by FRMC in FY 2007. ... Please note that the proposed relocation is not expected to have any impact on the facility’s payor mix. FRMC expects all patients, including the medically underserved, to continue having access to its services.”

See Criterion (13a) for the current and projected payor mix. However, the applicants did not demonstrate that medically underserved persons presently served would have adequate access to FRMC’s services following relocation of the hospital to the proposed site near Youngsville. See Criterion (3a) for discussion. Therefore, the applicants did not adequately demonstrate that future utilization by payment type at the new site in Youngsville would be the same as current utilization at the existing site in Louisburg. Consequently, the application is not conforming to this criterion.

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

C

In Section VI.7, pages 183-184, and Exhibit 15, the applicants demonstrate that FRMC will offer a range of means by which patients would have access to the services to be provided at the proposed replacement hospital. The information provided is reasonable and credible and supports a finding of conformity with 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

In Section V.1, pages 171-172, and Exhibit 14, FRMC demonstrates that it currently accommodates the clinical needs of health professional training programs in the area and that the proposed replacement hospital will do the same. The information provided is reasonable and credible and supports a finding of conformity to this criterion.

- (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.

NC

The applicants did not adequately demonstrate that the proposal would have a positive impact upon the quality and access to the proposed services. See Criteria (3a), (13c) and (20). Therefore, the application is not conforming to this criterion.

- (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.

NC

The files in the Acute and Home Care Licensure and Certification Section, DHSR, indicate a survey of FRMC was conducted by the State Agency (i.e., the Acute and Home Care Licensure and Certification Section, DHSR) on March 7, 2008. The Report of Survey was issued by the Centers for Medicare and Medicaid Services (CMS) on March 17, 2008 and provides a statement of

deficiencies with identification of immediate jeopardy and failure to conform to Medicare Conditions of Participation. According to the March 17, 2008 letter from CMS, the hospital was given notice that due to the cited deficiencies in the report the Medicare provider agreement between FRMC and the Secretary of the Department of Health and Human Services would be terminated effective March 30, 2008. The hospital's plan of correction was accepted by CMS. However, from March 28, 2008 to April 2, 2008, a full survey and follow-up surveys to the immediate jeopardy previously identified were conducted that identified continued non-compliance with Medicare Conditions of Participation. Therefore, the applicants have not adequately demonstrated that quality care has been provided in the past and the application is nonconforming with this criterion.

(21) Repealed effective July 1, 1987.

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

C

FRMC is currently licensed for 6 ICU beds. The proposed replacement hospital would be licensed for 12 ICU beds. Thus, the proposal results in the development of expanded intensive care services in Franklin County. The application is conforming to all applicable Criteria and Standards for Intensive Care Services promulgated in 10A NCAC 14C .1200. The specific criteria are discussed below.

SECTION .1200 CRITERIA AND STANDARDS FOR INTENSIVE CARE SERVICES

.1202 INFORMATION REQUIRED OF APPLICANT

- .1202(a) This rule states *“An applicant that proposes new or expanded intensive care services shall use the Acute Care Facility/Medical Equipment application form.”*

- C- FRMC is currently licensed for 6 ICU beds. The proposed replacement hospital would be licensed for 12 ICU beds. Thus, the proposal results in the development of expanded intensive care services in Franklin County. The applicants used the Acute Care Facility/Medical Equipment application form.
- .1202(b)(1) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: (1) the number of intensive care beds currently operated by the applicant and the number of intensive care beds to be operated following completion of the proposed project.”*
- C- In Section II.8, page 45, the applicants state that FRMC is currently licensed for 6 ICU beds. The proposed replacement hospital in Youngsville would be licensed for 12 ICU beds.
- .1202(b)(2)(A) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (2) documentation of the applicant's experience in treating patients at the facility during the past twelve months, including: (A) the number of inpatient days of care provided to intensive care patients.”*
- C- In Section II.8, page 45, and Exhibit 13, the applicants provide the number of inpatient days of care provided to ICU patients at FRMC during FY 2007.
- .1202(b)(2)(B) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (2) documentation of the applicant's experience in treating patients at the facility during the past twelve months, including: ... (B) the number of patients initially treated at the facility and referred to other facilities for intensive care services.”*
- C- In Section II.8, page 46, the applicants state *“Once FRMC refers a patient to another facility, the level of care, such as intensive care, deemed appropriate for that patient is determined by the facility receiving the referral. Therefore, FRMC does not have information as to whether any of its patients initially treated at FRMC were referred to other facilities for intensive care services. Thus, FRMC is not aware*

of any patients that were directly referred from its facility to another facility for intensive care services during FY 2007.”

.1202(b)(2)(C) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (2) documentation of the applicant's experience in treating patients at the facility during the past twelve months, including: ... (C) the number of patients initially treated at other facilities and referred to the applicant's facility for intensive care services.”*

-C- In Section II.8, page 46, the applicants state *“During FY 2007, FRMC did not have any patients referred to its facility for intensive care services that were initially treated at other facilities.”*

.1202(b)(3) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (3) the number of patients from the proposed service area who are projected to require intensive care services by the patients' county of residence in each of the first 12 quarters of operation, including all assumptions and methodologies.”*

-C- In Section II.8, page 47, the applicants provide the number of patients from the proposed service area who are projected to require intensive care services by the patients' county of residence in each of the first 12 quarters of operation. The applicants' assumptions and methodologies are provided in Section III.1(b), pages 98-106. See Criterion (3) for discussion of reasonableness of assumptions and methodologies.

.1202(b)(4) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (4) the projected number of patients to be served and inpatient days of care to be provided by county of residence by specialized type of intensive care for each of the first twelve calendar quarters following completion of the proposed project, including all assumptions and methodologies.”*

-C- The 12 ICU beds at the proposed replacement hospital will all be the same type of intensive care and will not be specialized. In Section II.8, page 47, the applicants provide the number of

patients from the proposed service area who are projected to require intensive care services by the patients' county of residence in each of the first 12 quarters of operation. In Section III.1(b), page 103, and Exhibit 13, the applicants provide projected inpatient days of care for the 12 ICU beds. The applicants' assumptions and methodologies are provided in Section III.1(b), pages 98-106. See Criterion (3) for discussion of reasonableness of assumptions and methodologies.

- .1202(b)(5) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (5) data from actual referral sources or correspondence from the proposed referral sources documenting their intent to refer patients to the applicant's facility.”*
- C- In Exhibit 5, the applicants provide letters from physicians that document their intent to refer patients to the proposed replacement facility in Youngsville for intensive care services.
- .1202(b)(6) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (6) documentation which demonstrates the applicant's capability to communicate effectively with emergency transportation agencies.”*
- C- In Exhibit 6, the applicants provide a copy of the Radio Communication Policy for FRMC's Emergency Department, which documents that the emergency department at the proposed replacement facility will have the capability to communicate effectively with emergency transportation agencies.
- .1202(b)(7)(A) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (7) documentation of written policies and procedures regarding the provision of care within the intensive care unit, which includes, but is not limited to the following: (A) the admission and discharge of patients; (B) infection control; (C) safety procedures; and (D) scope of service.”*

- C- Exhibit 7 contains copies of the applicants' policies and procedures for provision of care in the ICU addressing each item in this rule.

- .1202(b)(8) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (8) documentation that the proposed service shall be operated in an area organized as a physically and functionally distinct entity, separate from the rest of the facility, with controlled access.”*

- C- Exhibit 2 contains the design schematics for the proposed ICU, which show that the ICU will be operated as a physically and functionally distinct entity in a separate area with controlled access.

- .1202(b)(9) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (9) documentation to show that the services shall be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies.”*

- C- In Section II.8, page 49, the applicants state *“The facility has been designed with consideration of all federal, state, and local regulations by an architect registered in North Carolina. Please see Section II.6 and Section XI for further documentation of FRMC's efforts to comply with the requirements of this rule.”*

- .1202(b)(10) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (10) a detailed floor plan of the proposed area drawn to scale.”*

- C- See Exhibit 2 for design schematics of the proposed ICU.

- .1202(b)(11) This rule states *“An applicant proposing new or expanded intensive care services shall also submit the following additional information: ... (11) documentation of a means for observation by unit staff of all patients in the unit from at least one vantage point.”*

- C- See Exhibit 2 for design schematics of the proposed ICU.

.1203 PERFORMANCE STANDARDS

.1203(a)(1) This rule states *“The applicant shall demonstrate that the proposed project is capable of meeting the following standards: (a) (1) the overall average annual occupancy rate of all intensive care beds in the facility, excluding neonatal and pediatric intensive care beds, over the 12 months immediately preceding the submittal of the proposal, shall have been at least 70 percent for facilities with 20 or more intensive care beds, 65 percent for facilities with 10-19 intensive care beds, and 60 percent for facilities with 1-9 intensive care beds.”*

-C- In Section II.8, page 50, and Exhibit 13, the applicants state that 1,431 patient days of care were provided in the 6 existing ICU beds at FRMC during FY 2007, which is an occupancy rate of 65.3% [$1,431 / 365 / 6 = 0.653$].

.1203(a)(2) This rule states *“The applicant shall demonstrate that the proposed project is capable of meeting the following standards: (a) ... (2) the projected occupancy rate for all intensive care beds in the applicant's facility, exclusive of neonatal and pediatric intensive care beds, shall be at least 70 percent for facilities with 20 or more intensive care beds, 65 percent for facilities with 10-19 intensive care beds, and 60 percent for facilities with 1-9 intensive care beds, in the third operating year following the completion of the proposed project.”*

-C- In Section II.8, page 51, and Exhibit 13, the applicants project that FRMC will provide a total of 2,913 patient days of care in the 12 ICU beds, which is an occupancy rate of 66.5% [$2,913 / 365 / 12 = 0.665$]. See Criterion (3) for additional discussion.

.1203(b) This rule states *“All assumptions and data supporting the methodology by which the occupancy rates are projected shall be provided.”*

-C- The applicants' assumptions and methodologies are provided in Section III.1(b), pages 98-106. See Criterion (3) for discussion of reasonableness of assumptions and methodologies.

.1204 SUPPORT SERVICES

.1204(a) This rule states *“An applicant proposing new or additional intensive care services shall document the extent to which the following items are available:*

- (1) twenty-four hour on-call laboratory services including microspecimen chemistry techniques and blood gas determinations;*
- (2) twenty-four hour on-call radiology services, including portable radiological equipment;*
- (3) twenty-four hour blood bank services;*
- (4) twenty-four hour on-call pharmacy services;*
- (5) twenty-four hour on-call coverage by respiratory therapy;*
- (6) oxygen and air and suction capability;*
- (7) electronic physiological monitoring capability;*
- (8) mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilatory/respirator;*
- (9) endotracheal intubation capability;*
- (10) cardiac pacemaker insertion capability;*
- (11) cardiac arrest management plan;*
- (12) patient weighing device for bed patients; and*
- (13) isolation capability.”*

-C- In Section II.8, page 52, and Exhibit 8, the applicants state that all of the services listed above are currently provided at FRMC and will continue to be provided at the proposed replacement hospital in Youngsville.

.1204(b) This rule states *“If any item in Subparagraphs (a)(1) - (13) of this Rule will not be available, the applicant shall document the reason why the item is not needed for the provision of the proposed services.”*

-NA- All of the services listed in this rule will be available at the proposed replacement hospital in Youngsville.

.1205 STAFFING AND STAFF TRAINING

.1205(1) This rule states *“The applicant shall demonstrate the ability to meet the following staffing requirements: (1) nursing care shall be supervised by a qualified registered nurse with specialized*

training in the care of critically ill patients, cardiovascular monitoring, and life support.”

- C- In Section II.8, page 53, the applicants state “*Edmund Schatzle, RN, is the clinical director of ICU services at FRMC. Please see Exhibit 9 for Mr. Schatzle’s curriculum vitae.*” Mr. Schatzle’s curriculum vitae documents that FRMC’s ICU is supervised by a qualified RN with the specialized training required by this rule.

- .1205(2) This rule states “*The applicant shall demonstrate the ability to meet the following staffing requirements: ... (2) direction of the unit shall be provided by a physician with training, experience and expertise in critical care.*”

- C- In Section II.8, page 53, the applicants state that Cesar Y. Alinsonorin, Jr., M.D., is the current medical director for FRMC’s ICU. Exhibit 10 contains a copy of his curriculum vitae, which documents that he has training, experience and expertise in critical care.

- .1205(3) This rule states “*The applicant shall demonstrate the ability to meet the following staffing requirements: ... (3) assurance from the medical staff that twenty-four hour medical and surgical on-call coverage is available.*”

- C- Exhibit 11 contains a letter signed by FRMC’s Chief of Staff, Steven J. Schwam, M.D., which states that the medical staff will provide twenty-four hour medical and surgical on-call coverage.

- .1205(4) This rule states “*The applicant shall demonstrate the ability to meet the following staffing requirements: ... (4) inservice training or continuing education programs shall be provided for the intensive care staff.*”

- C- Exhibit 12 contains copies of FRMC’s ICU orientation and continuing education forms, which document that FRMC provides inservice training programs for ICU staff.