

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: April 20, 2022

Findings Date: April 20, 2022

Project Analyst: Mike McKillip

Co-Signer: Lisa Pittman

Project ID #: H-12174-22

Facility: Sandhills Regional Hospital for Geriatric Psychiatry

FID #: 220057

County: Richmond

Applicant: Sandhills Regional Hospital for Geriatric Psychiatry

Project: Develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion

### REVIEW CRITERIA

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

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

C

Sandhills Regional Hospital for Geriatric Psychiatry (SRH-GP), hereinafter referred to as SRH-GP or “the applicant,” proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

#### **Need Determination**

There is no need determination in the 2022 State Medical Facilities Plan (SMFP) that is applicable to the proposed project.

#### **Policies**

There are two policies in the 2022 SMFP which are applicable to this review: Policy MH-1: Linkages between Treatment Settings and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy MH-1: Linkages between Treatment Settings on pages 26-27 of the 2022 SMFP, states:

*“An applicant for a certificate of need for psychiatric, substance use disorder, or intermediate care facilities for individuals with intellectual disabilities (ICF/IID) beds shall document that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.”*

Exhibit I.2 contains a copy of a letter, dated January 6, 2022, from the Network Development Manager of Sandhills Center, the LME-MCO, indicated they have been contacted and invited to comment. Therefore, application is consistent with Policy MH-1.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on pages 30-31 of the 2022 SMFP, states:

*“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.*

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.*

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”*

The proposed capital expenditure for this project is greater than \$5.0 million. In Section B, pages 25-26, the applicant describes the project’s plan for energy efficiency and to conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose to develop any beds, services or equipment for which there is a need determination in the 2022 SMFP.
  - The applicant adequately demonstrates the proposal is consistent with Policy MH-1 based on the correspondence from the LME/MCO provided in Exhibit I.2.
  - The applicant adequately demonstrates the proposal is consistent with Policy GEN-4 based on its representations that the project includes a plan for energy efficiency and water conservation.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

## C

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

## **Patient Origin**

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2022 SMFP does not define the service area for psychiatric beds and the rules in 10A NCAC 14C .2600 Criteria and Standard for Psychiatric Beds were repealed effective January 1, 2022. In Section C.3, page 36, the applicant identifies five LME-MCO service areas as the service area for this project. Facilities may also serve residents of counties not included in their service area.

The following table illustrates the projected patient origin.

LME/MCO	<b>Third Full FY of Operation following Project Completion CY2026</b>	
	<b>Patients</b>	<b>% of Total</b>
Alliance Health	790	38.0%
Partners Health Management	52	2.5%
Trillium Health Resources	395	19.0%
Sandhills Center	364	17.5%
Vaya Health	270	13.0%
Eastpointe	208	10.0%
<b>Total</b>	<b>2,080</b>	<b>100.0%</b>

Source: Table on page 36 of the application.

In Section Q, pages 130-136, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported based on the projected population, patient days and market share for patients over 65 years of age for each of the five LME/MCOs in the service area who are projected to need inpatient psychiatric care.

**Analysis of Need**

In Section C.4, pages 38-47, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. The applicant states the need for the proposed project is based on the following:

- The projected growth in the 60+ age group population in the service area.
- The emergency room wait times for patients in need of inpatient psychiatric services.
- The changes in State hospital psychiatric admissions from non-State hospital psychiatric facilities.
- The need for psychiatric inpatient services as documented in recent media reports.

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

- The applicant provides demographic data for the proposed project from the North Carolina Office of State Budget and Management.
- The applicant provides information and data on State psychiatric hospital emergency department wait times and psychiatric inpatient bed utilization at non-State psychiatric facilities from the North Carolina DHHS.
- The applicant provides recent news media articles that support the need for additional mental health resources in the State and the access problems currently faced by patients in need of mental health services.

**Projected Utilization**

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

In Section Q, Form C Utilization, the applicant provides the projected utilization for the psychiatric inpatient beds through the first three full fiscal years (CY2024-CY2026), as summarized in the following table:

	<b>1<sup>st</sup> Full OY CY2024</b>	<b>2<sup>nd</sup> Full OY CY2025</b>	<b>3<sup>rd</sup> Full OY CY2026</b>
# of Beds	84	84	84
# of Admissions	1,170	2,015	2,080
Total Patient Days	13,890	24,130	24,960
Average Length of Stay	11.9	12.0	12.0
Occupancy Rate	45.3%	78.6%	81.4%

Source: Section Q of the application.

In Section Q, “*Part A*” of its utilization projections, the applicant describes its assumptions and methodology for projecting utilization of the psychiatric inpatient beds at SRH-GP, which is summarized below:

Step 1 – The applicant assumes a “*6-quarter ramp up period*” in admissions to the proposed facility, with admissions increasing from 15 patients per week in the first quarter to 40 patients per week by the second quarter of the second full fiscal year of operation, as shown in the table on page 127 of the application.

Step 2 - The applicant projects the total patient days of care by quarter based on the admissions projected in Step 1 and the average length of stay (12 days) as shown in the table on page 128 of the application.

Step 3 – The applicant projects the total admission by quarter based on the admissions by week projected in Step 1 as shown in the table on page 128 of the application.

Step 4 - The applicant projects the patient origin for the patients at the proposed facility as shown in the table on page 129 of the application. The applicant states, “*Patient origin is that 60+ psychiatric inpatient days of care market share in non-Sandhills Center LME/MCOs does not exceed 20.0% in Year 3. As SRH-GP is located in the Sandhills Center LME/MCO its patient origin results in a higher 60+ psychiatric inpatient days of care market share in the Sandhills Center LME/MCO, as calculated in the methodology in Part B, Step 6.*”

Step 5 – The applicant projects the total patient days of care by patient origin based on the patient projections in Step 4 and a projected ALOS of 12 days, as shown in the table on page 129 of the application.

In “*Part B*” of its utilization projections, the applicant summarizes its assumptions and methodology as follows:

Step 1 – The applicant identified the 60+ population by LME/MCO for 2017, 2022 and 2027, as shown in the table on page 130 of the application.

Step 2 - The applicant calculated the five-year annual change in the 60+ population by LME/MCO from 2022 to 2027, as shown in the table on page 130 of the application.

Step 3 - The applicant projected the 60+ population by LME/MCO for each year from 2022 to 2027 based on the annual population change calculated in Step 2 above, as shown in the table on page 131 of the application.

Step 4 – The applicant calculated the 60+ population days of care per 1,000 population by LME/MCO for 2020 based on the total days of care reported in the 2022 SMFP by LME/MCO and the 60+ population, as shown in the table on page 132 of the application.

Step 5 – The applicant projected the 60+ population days of care by LME/MCO for each year from 2022 to 2027 based on the projected days of care per 1,000 population in Step 4 and the population projections in Step 3, as shown in the table on page 133 of the application.

Step 6 – The applicant projected the percentage market share for proposed facility based on its projections of total projected days of care for the 60+ population by LME/MCO, as shown in the table on page 134 of the application.

Step 7 – The applicant projected the percentage market share for proposed facility based on its projections of total projected days of care for the total population by LME/MCO, as shown in the table on page 135 of the application.

Projected utilization is reasonable and adequately supported for the following reasons:

- The projected utilization is supported by the historical utilization of psychiatric inpatient beds in state and non-state psychiatric hospitals by the populations in the LME/MCOs in the applicant’s proposed service area.
- The utilization projections are supported by the high demand for psychiatric services and long wait times in hospital emergency departments in community hospitals.
- The projected growth in population supports the projected utilization, particularly in the 60+ population.

### **Access to Medically Underserved Groups**

In Section C.6, page 53, the applicant states the proposed facility will be accessible to all persons, including low income, racial and ethnic minorities, women, persons with disabilities, the elderly, Medicare and Medicaid beneficiaries. The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

<b>Medically Underserved Groups</b>	<b>Percentage of Total Patients</b>
Low income persons	11.0%
Racial and ethnic minorities	31.3%
Women	51.4%
Persons with Disabilities	100.0%
The elderly	85.0%
Medicare beneficiaries	80.0%
Medicaid recipients	10.0%

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the on the information provided in Section C.6, page 53, Section L, pages 95-100, and referenced exhibits.

## **Conclusion**

The Agency reviewed the:

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

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

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

NA

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

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

CA

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

In Section E, page 63, the applicant states there are no alternatives to the proposed project, and that the proposed project is the only available alternative to meet the need. The applicant states,

*“It is SRH-GP desire to develop 84 new psychiatric inpatient beds and operate a psychiatric facility in Richmond County. ... SRH-GP is not an acute care hospital and cannot convert acute care hospital beds to psychiatric beds. SRH-GP was not identified in the final group of facilities that may apply for a CON to relocate the final group of state-operated psychiatric beds under PSY-1. As a result, SRH-GP must obtain a Certificate of Need through submittal of an application.”*

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need. The application is conforming to all other statutory and regulatory review criteria. Therefore, the application can be approved.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 1. Sandhills Regional Hospital for Geriatric Psychiatry (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a new psychiatric facility with no more than 84 psychiatric inpatient beds.**
- 3. Progress Reports:**
  - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
  - b. The certificate holder shall complete all sections of the Progress Report form.**
  - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
  - d. Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on October 1, 2022. The second progress report shall be due on February 1, 2023 and so forth.**
- 4. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 5. For the first three years of operation following completion of the project, the certificate holder shall not increase charges more than 5% of the charges projected in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 6. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the**



**certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**

- a. **Payor mix for the services authorized in this certificate of need.**
  - b. **Utilization of the services authorized in this certificate of need.**
  - c. **Revenues and operating costs for the services authorized in this certificate of need.**
  - d. **Average gross revenue per unit of service.**
  - e. **Average net revenue per unit of service.**
  - f. **Average operating cost per unit of service.**
7. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

**Capital and Working Capital Costs**

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

Building purchase price	\$12,000,000
Closing costs	\$600,000
Construction/renovation costs	\$6,084,610
Architect/engineering fees	\$1,760,000
Nonmedical equipment	\$1,691,557
Consultant fees	\$125,000
Interest during construction	\$1,250,000
Contingency	\$1,175,558
<b>Total</b>	<b>\$24,686,725</b>

In Section Q, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the information provided in Section F.2, Exhibit F.1, and Section Q, Form F.1a of the application.

In Section F.3, the applicant projects that start-up costs will be \$1,089,154 and there will be no initial operating expenses. On pages 66-67, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately

demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the information provided in Section F.3, pages 66-67, and Section Q, Form F.2b.

**Availability of Funds**

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

<b>Sources of Financing for Capital</b>	<b>Amount</b>
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$0
Lines of credit	\$0
Bonds	\$24,686,725
<b>Total</b>	<b>\$24,686,725</b>

In F.3, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

<b>Sources of Financing for Working Capital</b>	<b>Amount</b>
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$0
Lines of credit	\$0
Bonds	\$1,089,154
<b>Total</b>	<b>\$1,089,154</b>

Exhibit F.2 (Tab 8) contains a January 11, 2022 letter from the Chairman for the Sandhills Regional Hospital for Geriatric Psychiatry stating its intention to commit bond funds for the capital and working capital costs for the proposed project. Exhibit F.2 also contains a January 12, 2022 letter from a Managing Director for Piper Sandler & Company stating its intention to issue bonds to provide debt financing for the proposed project. The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project.

**Financial Feasibility**

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

	<b>1<sup>st</sup> Full FY CY2024</b>	<b>2<sup>nd</sup> Full FY CY2025</b>	<b>3<sup>rd</sup> Full FY CY2026</b>
Total Patient Days	13,890	24,130	24,960
Total Gross Revenues (Charges)	\$20,473,264	\$35,566,585	\$36,789,969
Total Net Revenue	\$13,635,194	\$23,687,345	\$24,502,119
Average Net Revenue per Patient Day	\$982	\$982	\$982
Total Operating Expenses (Costs)	\$12,853,273	\$17,995,801	\$19,146,093
Average Operating Expense per Day	\$925	\$746	\$767
Net Income	\$781,921	\$5,691,544	\$5,356,027

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

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
  - The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.
  - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

N.C. Gen. Stat. §131E-176(24a) states, “Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.” The 2022 SMFP does not define the service area for psychiatric beds and the rules in 10A NCAC 14C .2600 Criteria and Standard for Psychiatric

Beds were repealed effective January 1, 2022. In Section C.3, page 36, the applicant identifies five LME-MCO service areas as the service area for this project. Facilities may also serve residents of counties not included in their service area.

In Section G.1, pages 75-76, the applicant provides a list of existing providers of inpatient psychiatric services in the proposed service area and the 2020 utilization as reported in 2022 SMFP, Table 14A, which is summarized below:

<b>County</b>	<b>Provider</b>	<b>2020 Utilization</b>
Alamance	Alamance Regional Medical Center	30.5%
Alexander	Alexander Hospital	0.0%
Avery	Charles A. Cannon, Jr. Memorial Hospital	74.9%
Beaufort	Vidant Beaufort Hospital	0.7%
Brunswick	Carolinas Dunes Behavioral Health	68.7%
Buncombe	Mission Hospital/Copstone Center	81.7%
Burke	Carolinas HealthCare System Blue Ridge	76.3%
Cabarrus	Atrium Health Cabarrus	60.9%
Caldwell	Caldwell Memorial Hospital	0.3%
Catawba	Frye Regional Medical Center	53.8%
Catawba	Catawba Valley Medical Center	52.7%
Cleveland	Atrium Health Cleveland	117.0%
Craven	CarolinaEast Health System	46.4%
Cumberland	Cape Fear Valley Medical Center	85.8%
Davidson	Novant Health Thomasville Medical Center	56.7%
Duplin	Vidant Duplin Hospital	61.9%
Durham	Duke Regional Hospital	64.3%
Durham	Duke University Hospital	95.7%
Forsyth	Old Vineyard Youth Services	80.4%
Forsyth	Novant Health Forsyth Medical Center	35.7%
Forsyth	North Carolina Baptist Hospital	61.7%
Franklin	Maria Parham Hospital	33.2%
Gaston	CaroMont Health	31.5%
Guilford	Cone Health (Behavioral Health System)	50.6%
Guilford	High Point Regional Health System	31.1%
Halifax	Vidant North Hospital	67.5%
Harnett	Good Hope Hospital	86.8%
Haywood	Haywood Regional Medical Center	37.2%
Henderson	AdventHealth Hendersonville	25.3%
Henderson	Margaret R. Pardee Memorial Hospital	54.9%
Hertford	Vidant Roanoke-Chowan Hospital	67.1%
Iredell	Davis Regional Medical Center	46.3%
Johnston	Johnston Health	93.3%
Lee	Central Carolina Hospital	0.1%
Mecklenburg	Carolinas Medical Center (Behavioral Health)	91.9%
Mecklenburg	Novant Health Presbyterian Medical Center	34.7%
Moore	FirstHealth Moore Regional Pinehurst Treatment	35.6%
Nash	Nash General Hospital	74.9%
New Hanover	New Hanover Regional Medical Center	91.2%
Onslow	Brynn Marr Behavioral Health System	67.3%

Orange	UNC Hospitals	65.9%
Pitt	Vidant Medical Center	15.2%
Polk	St. Luke's Hospital	61.6%
Robeson	Southeastern Health	53.45
Rowan	Novant Health Rowan Medical Center	53.2%
Rutherford	Rutherford Regional Medical Center	91.6%
Stanly	Atrium Health Stanly	0.3%
Stokes	LifeBrite Community Hospital of Stokes	0.0%
Surry	Northern Regional Hospital	77.2%
Wake	Holly Hill Hospital	71.1%
Wake	Strategic Behavioral Health-Garner	102.2%
Wake	Triangle Springs	78.45
Wake	UNC Hospitals at Wakebrook	0.8%
Wayne	Wayne Memorial Hospital	41.2%
Wilson	Wilson Medical Center	30.5%

Source: Tables on pages 75-76 of the application.

In Section G.2, page 77, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved adult psychiatric inpatient services in proposed service area. The applicant states:

*“SRH-GP will be an 84-bed geriatric psychiatric facility and no other psychiatric facility in North Carolina is dedicated to the mental health issues that arise from aging and some of which may be included comorbidities. ... The top 13 psychiatric hospitals are all over 75.0 [percent] occupied and average 73 licensed beds, excluding Duke University Hospital. ... What data does exist is the emergency department waiting times for patients admitted to state psychiatric facilities, which shows a continued increase in waiting times. ... Based on these two factors, it appears that additional psychiatric beds are needed in North Carolina.”*

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

- There are no other adult inpatient psychiatric facilities specializing in services for the geriatric population in the proposed service area.
- The applicant adequately demonstrates that the proposed psychiatric facility is needed in addition to the existing or approved adult psychiatric facilities in the service area.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

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

Position	Projected FTE Staff
	3rd Full Fiscal Year CY2026
Accounts Payable	1.0
Accounts Receivable	1.0
Admissions Director	1.0
Certified Nursing Assistant	57.6
Chief Executive Officer	1.0
Chief Financial Officer	1.0
Chief Operating Officer	1.0
Cook/Kitchen	6.0
Dietary Manager	1.0
Executive Assistant	1.0
Floor Aides	3.0
Housekeeping	3.0
Human Resources	1.0
In House Counsel	1.0
Laboratory Technicians	3.0
Laundry	4.0
Maintenance	1.0
Medical Director	1.0
Medical Physician	1.0
Pharmacist	1.0
Pharmacy Technician	2.0
Program Director	1.0
Psychiatrist Resident	5.0
Psychologist	2.0
Receptionist	2.0
Registered Nurses	29.5
Registered Nurse Supervisor	4.2
Registered Nurse Medication	4.2
Security Officer	6.0
Social Worker	7.0
Therapists	3.0
Transportation	3.0

Unit Clerk	3.0
<b>TOTAL</b>	<b>162.5</b>

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.3b. In Section H.2 and H.3, pages 80-81, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the information provided in Section H, pages 80-81 of the application, and reference exhibits.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

### C

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

### **Ancillary and Support Services**

In I.1, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 83-84, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1 (Tab 13). The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the information provided in Section I.1 and referenced exhibits.

### **Coordination**

In Section I.2, page 85, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2 (Tab 11). The applicant adequately demonstrates that the proposed services will

be coordinated with the existing health care system based on the information provided in Section I.2 and referenced exhibits.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- would be available under a contract of at least 5 years duration;
  - would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
  - would cost no more than if the services were provided by the HMO; and
  - would be available in a manner which is administratively feasible to the HMO.

NA

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.



- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

In Section K.2, the applicant states that the project involves renovation of 42,330 square feet of space in an existing facility located at 1000 West Hamlet Avenue in Hamlet (Richmond County) currently owned by FirstHealth of the Carolinas, Inc (FirstHealth). The facility was formerly operated by FirstHealth as an acute care hospital but ceased operations in 2017. Line drawings are provided in Exhibit K.2.

In Section K.4, pages 92-93, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. Supporting documentation is provided in Exhibit K.4. The site is suitable for the proposed project based on the applicant's representations and supporting documentation.

On page 90, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal. Also on page 90, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services. The applicant states, *"Based on the expertise of the project architect, the proposed facility renovation is the most reasonable alternative for the proposed psychiatric facility."*

On pages 90-91, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

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

NA

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

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

NA

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

(c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section L, page 98 the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Category	Services as Percent of Total
Self Pay	1%
Medicare	70%
Medicaid	20%
Insurance	9%
<b>Total</b>	<b>100%</b>

Source: Table on page 98 of the application.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1% of total services will be provided to self-pay patients, 70% to Medicare patients and 20% to Medicaid patients.

On page 98, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the applicant's intention to primarily serve geriatric psychiatric patients for whom Medicare will be a primary payor.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 100, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

In Section M, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1 (Tab 18). The applicant adequately demonstrates that health

professional training programs in the area will have access to the facility for training purposes based on the documentation provided in Section M.1, page 102, and referenced exhibits.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes to develop a new psychiatric facility with a total of no more than 84 psychiatric inpatient beds upon project completion.

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2022 SMFP does not define the service area for psychiatric beds and the rules in 10A NCAC 14C .2600 Criteria and Standard for Psychiatric Beds were repealed effective January 1, 2022. In Section C.3, page 36, the applicant identifies five LME-MCO service areas as the service area for this project. Facilities may also serve residents of counties not included in their service area.

In Section G.1, pages 75-76, the applicant provides a list of existing providers of inpatient psychiatric services in the proposed service area and the 2020 utilization as reported in 2022 SMFP, Table 14A, which is summarized below:

County	Provider	2020 Utilization
Alamance	Alamance Regional Medical Center	30.5%
Alexander	Alexander Hospital	0.0%

Avery	Charles A. Cannon, Jr. Memorial Hospital	74.9%
Beaufort	Vidant Beaufort Hospital	0.7%
Brunswick	Carolinas Dunes Behavioral Health	68.7%
Buncombe	Mission Hospital/Copstone Center	81.7%
Burke	Carolinas HealthCare System Blue Ridge	76.3%
Cabarrus	Atrium Health Cabarrus	60.9%
Caldwell	Caldwell Memorial Hospital	0.3%
Catawba	Frye Regional Medical Center	53.8%
Catawba	Catawba Valley Medical Center	52.7%
Cleveland	Atrium Health Cleveland	117.0%
Craven	CarolinaEast Health System	46.4%
Cumberland	Cape Fear Valley Medical Center	85.8%
Davidson	Novant Health Thomasville Medical Center	56.7%
Duplin	Vidant Duplin Hospital	61.9%
Durham	Duke Regional Hospital	64.3%
Durham	Duke University Hospital	95.7%
Forsyth	Old Vineyard Youth Services	80.4%
Forsyth	Novant Health Forsyth Medical Center	35.7%
Forsyth	North Carolina Baptist Hospital	61.7%
Franklin	Maria Parham Hospital	33.2%
Gaston	CaroMont Health	31.5%
Guilford	Cone Health (Behavioral Health System)	50.6%
Guilford	High Point Regional Health System	31.1%
Halifax	Vidant North Hospital	67.5%
Harnett	Good Hope Hospital	86.8%
Haywood	Haywood Regional Medical Center	37.2%
Henderson	AdventHealth Hendersonville	25.3%
Henderson	Margaret R. Pardee Memorial Hospital	54.9%
Hertford	Vidant Roanoke-Chowan Hospital	67.1%
Iredell	Davis Regional Medical Center	46.3%
Johnston	Johnston Health	93.3%
Lee	Central Carolina Hospital	0.1%
Mecklenburg	Carolinas Medical Center (Behavioral Health)	91.9%
Mecklenburg	Novant Health Presbyterian Medical Center	34.7%
Moore	FirstHealth Moore Regional Pinehurst Treatment	35.6%
Nash	Nash General Hospital	74.9%
New Hanover	New Hanover Regional Medical Center	91.2%
Onslow	Brynn Marr Behavioral Health System	67.3%
Orange	UNC Hospitals	65.9%
Pitt	Vidant Medical Center	15.2%
Polk	St. Luke's Hospital	61.6%
Robeson	Southeastern Health	53.45
Rowan	Novant Health Rowan Medical Center	53.2%
Rutherford	Rutherford Regional Medical Center	91.6%
Stanly	Atrium Health Stanly	0.3%
Stokes	LifeBrite Community Hospital of Stokes	0.0%
Surry	Northern Regional Hospital	77.2%
Wake	Holly Hill Hospital	71.1%
Wake	Strategic Behavioral Health-Garner	102.2%

Wake	Triangle Springs	78.45
Wake	UNC Hospitals at Wakebrook	0.8%
Wayne	Wayne Memorial Hospital	41.2%
Wilson	Wilson Medical Center	30.5%

Source: Tables on pages 75-76 of the application.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 104, the applicant states, *“The need for additional psychiatric beds is evident within North Carolina and rather than looking at SRH-GP having a positive impact on competition, SRH-GP believes it will have a positive impact on collaboration and integration.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 104, the applicant states,

*“SRH-GP will be able to offer more competitive rates to insurance companies without the overhead of other services and emergency departments. ... Additionally, SRH-GP will be able to develop 84 inpatient psychiatric beds at a cost considerably less than that associated with constructing a new 84-bed facility.”*

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

Regarding the impact of the proposal on quality, in Section N, pages 104-105, the applicant states,

*“SRH-GP believes that quality should be a measure of whether services increase the likelihood of desired mental health outcomes and are consistent with current evidence-based practice. For people with mental disorders, their families, it emphasizes that services should produce positive outcomes. For practitioners, it emphasizes the best use of current knowledge and technology.”*

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 105, the applicant states, *“SRH-GP will make hospital services accessible to indigent patients without regard to ability to pay.”*

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

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant’s representations about how it will ensure the quality of the proposed services.

- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

NA

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

- (21) Repealed effective July 1, 1987.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

10A NCAC 14C .2600 Criteria and Standard for Psychiatric Beds were repealed effective January 1, 2022.