

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: August 24, 2012

PROJECT ANALYST: Les Brown
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: J-8820-12 / Holly Hill Hospital, LLC, Holly Hill Real Estate, LLC and Universal Health Services, Inc. / Relocate 60 child/adolescent inpatient psychiatric beds to a facility to be constructed near the existing hospital / Wake 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, Holly Hill Hospital, LLC (HHH), Holly Hill Real Estate (HHRE), LLC and Universal Health Services (UHS), Inc. propose to relocate 60 child and adolescent psychiatric inpatient beds from HHH to a facility to be constructed near the existing hospital in Raleigh. UHS is the parent company of HHH and HHRE. Holly Hill Hospital (HHH) currently operates 64 adult psychiatric inpatient beds, 60 child and adolescent inpatient psychiatric beds and 28 chemical dependency treatment beds in Raleigh. HHH was approved to add 16 adult psychiatric beds on May 4, 2010 (Project I.D. #J-8442-09). The applicants do not propose to develop new psychiatric inpatient beds. Therefore, there are no need determinations in the 2012 SMFP applicable to this review.

There are two policies in the 2012 SMFP which are applicable to this review: Policy MH-1: LINKAGES BETWEEN TREATMENT SETTINGS which states: *“An applicant for a certificate of need for psychiatric, substance abuse, or Intermediate Care Facilities for the Mentally Retarded (ICF/MR) beds shall document that the affected Local Management Entity has been contacted and invited to comment on the proposed services.”* Exhibit 4

contains letters to the LME directors in Wake and Durham counties inviting them to comment on the proposal to relocate the child and adolescent inpatient psychiatric beds. A Local Management Entity (LME) is the authority for mental health services for a particular geographic region of the state. The application is conforming with Policy MH-1.

Policy GEN-4 ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES states the following:

“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, the Certificate of Need Section 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 efficient and water conservation standards incorporated in the latest editions of the North Carolina States 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 are [sic] 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.”

On page 95 the applicants state:

“HHH is designing the proposed project to be in compliance with all applicable federal, state, and local requirements for energy efficiency and water conservation, including the North Carolina Energy Conservation Code, and Policy GEN-4 in the 2012 SMFP. The estimate and design of the proposed spaces takes into account all necessary energy-saving technologies that can be integrated into this project.

HHH will work with experienced architects and engineers to ensure energy efficient systems are an inherent part of the planned facility project. The A/E team involved in planning this project has LEED and GGHC experience.”

The application is conforming with Policy GEN-4. Therefore, the application is conforming with 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

The applicants, Holly Hill Hospital, LLC (HHH), Holly Hill Real Estate (HHRE), LLC and Universal Health Services (UHS), Inc. propose to relocate 60 child and adolescent inpatient psychiatric beds from HHH to a facility to be constructed near the existing hospital in Raleigh. UHS is the parent company of HHH and HHRE. Holly Hill Hospital (HHH) currently operates 64 adult inpatient psychiatric beds, 60 child and adolescent inpatient psychiatric beds and 28 chemical dependency treatment beds in Raleigh. Holly Hill Hospital was approved to add 16 adult inpatient psychiatric beds on May 4, 2010 (Project I.D. #J-8442-09).

Population to be Served

In Section III, pages 44-45, the applicants provide the current patient origin for child and adolescent inpatient psychiatric services for FFY 2011 and the first two years of operation following project completion, as illustrated in the following table.

**Patient Origin:
 FFY 2011 and Years 1& 2**

County	% of Total Patients
Wake	38.7%
Johnston	4.1%
Cumberland	4.0%
Harnett	3.3%
New Hanover	3.2%
Pitt	2.9%
Nash	1.8%
Iredell	1.7%
Alamance	1.6%
Mecklenburg	1.6%
Franklin	1.5%
Granville	1.4%
Other*	34.2%
Total	100.0%

* Includes 58 other NC counties each representing less than 1% of the total.

The proposed patient origin is based upon and is consistent with historical FFY 2011 patient origin. The applicants adequately identify the population proposed to be served.

Demonstration of Need

On pages 35-39 the applicants describe in detail the factors which they state support the need to establish a separate campus for the 60 existing child/adolescent inpatient psychiatric beds. They are:

- Limited access to child/adolescent inpatient psychiatric beds
- High occupancy rates for the 60 existing child/adolescent inpatient psychiatric beds
- Population growth in Wake County

On page 35 the applicants state that of the total 1,744 licensed inpatient psychiatric beds in North Carolina, only 17% or 294 beds are categorized as child / adolescent beds. HHH is the only hospital providing inpatient psychiatric services in Wake County.

On page 39 the applicant states:

“The State projects that 15,768 additional residents age 17 and younger will be added to the total Wake County population from 2012 to 2016, or a compound annual growth rate of 1.8 percent. In summary, as the population age 17 and younger increases in Wake County, the demand for behavioral health services will continue to increase.”

On page 46 the applicant states:

“The needs of child and adolescent patients are much different from those of adults, and children and adolescents must be clinically treated separately from adults. Therefore, HHH’s plan to relocate all of its child and adolescent beds from the current hospital campus to a nearby dedicated child / adolescent behavioral health facility makes sense from a clinical care perspective.”

On page 42 the applicants state that moving the 60 existing child/adolescent inpatient psychiatric beds is necessary to accommodate the development of 37 adult inpatient psychiatric beds in the existing facility in a cost-effective manner. That application (Project ID# J-8816-12) was conditionally approved on August 24, 2012. HHH was the only applicant in that review.

In Section IV, pages 39-40, the applicants provide the historical and projected utilization for the 60 child / adolescent inpatient psychiatric beds, as shown in the following tables.

	CY 2008	CY 2009	CY 2010	CY 2011
Discharges	1,563	1,864	1,688	1,789
ALOS	8.8	9.3	10.3	10.2
Patient Days of Care	13,743	17,392	17,345	18,287
% Occupancy	62.8%	79.4%	79.2%	83.5%

	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
Discharges	1,820	1,852	1,885	1,918	1,951

ALOS	10.2	10.2	10.2	10.2	10.2
Patient Days of Care	18,608	18,934	19,266	19,603	19,947
% Occupancy	85.0%	86.5%	88.0%	89.5%	91.1%

On page 40 the applicants provide the following assumptions and methodology used to project the utilization of the child / adolescent beds, as follows:

- Admissions/discharges will increase at the same rate as the projected growth rate of the Wake County population ages 17 and younger (1.8%).
- The average length of stay (ALOS) will be 10.2 days, based on the ALOS in CY 2011.

The applicants adequately demonstrate that projected utilization is reasonable based upon population growth, the limited number of child/adolescent inpatient psychiatric beds in the state and historical utilization of the existing child / adolescent inpatient psychiatric beds at HHH. The applicants adequately demonstrate the need to relocate the 60 existing child/adolescent inpatient psychiatric beds to another campus. Therefore, the applicants adequately demonstrate the need for the proposal. Consequently, the application is conforming with 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.

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The applicants propose to relocate all 60 child and adolescent inpatient psychiatric beds. The proposed site on Michael J. Smith Lane is four tenths of a mile from the existing location at 3019 Falstaff Road in Raleigh. On page 46 the applicants state that relocating the child and adolescent patients to a dedicated facility will improve the clinical services for this population. Also the relocation will enable HHH to develop 37 additional adult inpatient psychiatric beds in the space vacated by the relocation. The applicants demonstrate that the needs of the population presently served will be met adequately by the proposed relocation. Therefore, the application is conforming with 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.

CA

In Section III.3, page 61, the applicants discuss the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo - the applicants concluded that this alternative is less effective and unacceptable because the needs of child/adolescent psychiatric inpatients are

different from adults, and HHH needs space in the existing facility for the addition of 37
adult inpatient psychiatric beds.

- 2) Relocate the 60 Child/Adolescent Inpatient Psychiatric Beds to a Different Location – The applicants concluded that this alternative is less effective because the proposed site is less than one-half mile from the existing facility and is familiar and convenient for patients and referring providers.
- 3) Relocate the 60 Child/Adolescent Inpatient Psychiatric Beds to the Proposed Site – the applicants concluded that the proposed project is the more effective alternative because the project will allow HHH to design the facility specifically for children and adolescents and will provide vacated space in the existing facility to be used for the addition of 37 adult inpatient psychiatric beds.

Furthermore, the application is conforming with all other statutory review criteria, and is therefore, approvable. A project that cannot be approved cannot be an effective alternative.

The applicants adequately demonstrate that the proposal is their least costly or most effective alternative for provision of the child/adolescent inpatient psychiatric services, particularly given the conditional approval of Project ID# J-8816-12 (develop 37 adult inpatient psychiatric beds in the existing facility). Therefore, the application is conforming to this criterion and approved, subject to the following conditions.

1. **Holly Hill Hospital, LLC, Holly Hill Real Estate, LLC and Universal Health Services, Inc. shall materially comply with all representations made in the certificate of need application.**
2. **Holly Hill Hospital, LLC, Holly Hill Real Estate, LLC and Universal Health Services, Inc. shall replace and relocate no more than 60 child/adolescent inpatient psychiatric beds to a new campus of the existing psychiatric hospital.**
3. **Holly Hill Hospital, LLC, Holly Hill Real Estate, LLC and Universal Health Services, Inc. shall accept patients requiring involuntary admission for inpatient psychiatric services.**
4. **Holly Hill Hospital, LLC, Holly Hill Real Estate, LLC and Universal Health Services, Inc shall 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 applicants' representations in the written statement as described in paragraph one of Policy GEN-4.**
5. **Holly Hill Hospital, LLC, Holly Hill Real Estate, LLC and Universal Health Services, Inc. shall acknowledge acceptance of and agree to comply**

with all conditions stated herein to the Certificate of Need Section 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

In Section VIII.1, page 77, the applicants project the total capital cost of the project to be \$18,344,181, which is shown in the following table.

Item	Projected Cost
Purchase of land	\$1,750,000
Site Preparation	\$2,335,773
Construction	\$10,989,175
Equipment and Furniture	\$1,914,822
Miscellaneous	\$1,354,411
Total	\$18,344,181

In Section XI.1, page 83, the applicants project no start-up expenses or initial operating expenses.

Exhibit 17 contains a letter from the Chief Financial Officer of Universal Health Services, the parent company of HHH and HHRE, which states: *“I can and will commit UHS’ reserves to cover all of the capital costs associated with this project. The anticipated project costs are approximately \$18.4 million.”*

Exhibit 18 contains the United States SEC Form 10-K filed by Universal Health Services, Inc. for the years ending December 31, 2009, December 31, 2010 and December 31, 2011. As of December 31, 2011, the consolidated financial statements show the company had \$41,229,000 in cash and cash equivalents, \$7,665,245,000 in total assets, and \$2,347,118,000 in total stockholders’ equity (total assets less total liabilities). The applicants adequately demonstrate the availability of sufficient funds for the capital needs of the project.

In the Financials Section of the application, the applicants provide the projected revenues and operating costs for the project, in addition to the assumptions used to calculate the pro formas. Form C, Statement of Revenues and Expenses, shows revenues in excess of costs for child and adolescent inpatient psychiatric services in each of the first three years of operation following project completion. Furthermore, Form B shows revenues in excess of costs for the entire facility in the first three years of operation following project completion. The assumptions used by the applicants in preparation of the pro formas are reasonable, including projected utilization. See the Financials Section of the application for the pro formas and assumptions. See Criterion (3) for discussion of utilization projections which is incorporated hereby as if fully set forth herein. The applicants adequately demonstrate that the financial

feasibility of the proposal is based upon reasonable projections of costs and revenues, and therefore, the application is conforming with 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

The applicants propose to relocate 60 existing child and adolescent inpatient psychiatric beds to a new campus four tenths of a mile from the existing hospital. The applicants adequately demonstrate that all 60 existing child/adolescent inpatient psychiatric beds are needed based upon population growth, the limited number of child/adolescent inpatient psychiatric beds in the state and historical utilization of the existing child/adolescent inpatient beds at HHH. See Criterion (3) for additional discussion regarding the need for the proposal which is incorporated hereby as if fully set forth herein. The proposal will not result in a new facility or new inpatient psychiatric beds. HHH is the only existing provider of inpatient psychiatric services in Wake County. Twenty child/adolescent inpatient psychiatric beds were previously approved for Wake County. Given the high occupancy rate at HHH and the low number of child/adolescent inpatient psychiatric beds statewide (339), HHH adequately demonstrates the need to replace all 60 child/adolescent inpatient psychiatric beds. The applicants adequately demonstrate that the proposed project will not result in unnecessary duplication of existing or approved child/adolescent inpatient psychiatric beds. Consequently, the application is conforming with 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

On page 69 the applicants state that no new positions will be added as a result of this project. The following table illustrates the current and proposed staffing for the child and adolescent inpatient psychiatric beds for Year 2 of the project, as shown in Section VII.2, page 68. .

Position	Current & Proposed Full-Time Equivalents (FTEs)	Contract Hours
Nursing Administration	6.0	
Psychiatrists		78

Psychologists	1.0	
Psychiatric Social Workers	10.0	
Psychiatric Registered Nurses	23.0	
Utilization Review	3.0	
Licensed Practical Nurses	3.0	
Nursing Assistants/Aides/Orderlies	30.0	
Clerical support/Unit Secretaries/	4.0	
School	1.0	
Medical Records	2.0	
Pharmacy		2,080
Dietary	5.0	
Housekeeping & Laundry	5.0	
Engineering/Maintenance	2.6	
Purchasing	0.25	
Security	2.3	
Communications / IT	1.5	
Administration	1.0	
Finance/Business Office	4.0	
Admissions	8.0	
Marketing	1.0	
Transcription	1.0	
Quality Assurance	1.5	
Personnel	1.0	
Training	2.0	
Activity Therapy	1.0	
Total	120.15	2,158

Exhibit 3 contains a signed letter from the current medical director which states he will continue to serve in the medical director role. The applicants adequately demonstrate the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided. Therefore, the application is conforming with 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 II.9, page 20, the applicants identify the necessary ancillary and support services for the proposed services. Additionally, in Section V, page 53, the applicants identify the acute care hospitals with which transfer agreements exist. On page 53 the applicants list the eight LMEs with which HHH has transfer agreements. Letters of support for the proposal from physicians are provided in Exhibit 13. The applicants adequately demonstrate that the necessary ancillary and support services will be made available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming with 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 (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 new building with 59,184 square feet in order to relocate 60 existing child and adolescent inpatient psychiatric beds. Exhibit 19 contains line drawings of the proposed facility. The applicants propose twenty private rooms and twenty semi-private rooms, for a total of 60 beds, all to be used for child and adolescent patients. In Section XI.7, pages 95-96, the applicants identify the energy-saving features that will be incorporated into this project. On page 77 the applicants state that the site costs are \$4,085,773 and construction costs are \$10,989,175. On page 76 the applicants state: "*The architect estimated the projected facility construction costs based on experience designing other similar facilities and local cost experience.*" The applicants adequately demonstrate 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. Therefore, the application is conforming with 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

In Section VI.11, page 65, the applicants provide the current payor mix for all inpatient psychiatric beds during calendar year 2011, which is illustrated in the table below.

Payor	Patient Days as % of Total
Self Pay/ Indigent/ Charity	1.1%
Medicare/ Medicare Managed Care	14.1%
Medicaid	23.6%
Commercial Insurance / Local Govt	61.2%
Total	100.0%

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages as of June 2010 and CY 2008-2009, respectively. The data in the table were obtained on June 6, 2012. More current data, particularly with regard to the estimated uninsured percentages, were not available.

County	Total # of Medicaid Eligible as % of Total Population	Total # of Medicaid Eligibles Age 21 and older as % of Total Population	% Uninsured CY 2008-2009 (Estimate by Cecil G. Sheps Center)
Wake	10%	3.4%	18.4%
Statewide	17%	6.8%	19.7%

The majority of Medicaid eligibles are children under the age of 21. The Medicaid percentage at HHH in CY 2011 exceeded the percentage of Medicaid eligibles in Wake County and statewide. The percentage of Medicaid patients served by a facility is not directly comparable to the percentage of eligibles in the county or statewide.

The number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data are available by age, race or gender. However, a direct comparison to the applicants' current payor mix would be of little value. The population data by age, race or gender do not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicants demonstrate that medically underserved populations currently have adequate access to services available at Holly Hill Hospital. Therefore, the application is conforming with 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

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.10, page 64, the applicants state:

“HHH is a recipient of federal funds, and is compliant with all applicable federal regulations to insure continued access to these funds. HHH does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay.”

In Section VI.9, page 64, the applicants state that no civil rights equal access complaints or violations were filed against HHH in the last five years. Therefore, the application is conforming with this criterion.

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

C

In Section VI.12, page 66, the applicants provide the projected payor mix for child and adolescent inpatient psychiatric beds for the second year of operation following project completion, which is shown in the following table.

Payor	Patient Days as % of Total
Self Pay/ Indigent/ Charity	0.6%
Medicare	0.0%
Medicaid	54.3%
Commercial Insurance	24.2%
Local Government	4.9%
Blue Cross	16.2%
Total	100.0%

As shown in the table above, the payor mix for just the child/adolescent beds differs from the facility as a whole. The Medicaid percentage is much higher which is reasonable given the majority of Medicaid eligibles are under the age of 21. There are no Medicare patients, which is also reasonable as very few children, if any, are covered by Medicare.

The applicants demonstrate that medically underserved populations would continue to have adequate access to services offered at Holly Hill Hospital after project completion. See page 66 for the applicants' assumptions. Therefore, the application is conforming with 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.

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In Section VI.8, page 63, the applicants discuss the means by which patients will have access to the proposed services, which include referrals from physicians or other medical providers, emergency departments, law enforcement agencies and LMEs. Exhibit 5 contains HHH's admission policies. The applicants adequately demonstrate

that the facility will offer a range of means by which patients will have access to services. Therefore the application is conforming 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.

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In Section V.1, page 52, the applicants identify the existing agreements for clinical training, which include area college nursing programs and social work programs. Exhibit 15 contains a copy of an agreement with Wake Technical Community College. The applicants adequately demonstrate that the facility will continue to accommodate the clinical needs of area health professional training programs. Therefore, the application is conforming with 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.

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See Section V.6, pages 54-56, in which HHH discusses the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, V, VI and VII for discussion regarding the impact of the proposal on cost effectiveness, quality and access. The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to inpatient psychiatric services in Wake County. The proposal will not result in a new facility or new inpatient psychiatric beds. HHH is the only existing provider of inpatient psychiatric services in Wake County. Twenty child/adolescent inpatient psychiatric beds were previously approved for Wake County. Given the high occupancy rate at HHH and the low number of child/adolescent inpatient psychiatric beds statewide (339), HHH adequately demonstrates the need to replace all 60 child/adolescent inpatient psychiatric beds. This determination is based on the information in the application, and the following:

- ◆ The applicants adequately demonstrate the need to relocate the 60 existing child and adolescent inpatient psychiatric beds from the existing campus to a nearby location, and that it is a cost-effective alternative to meet the need;
- ◆ The applicants have and will continue to provide quality services; and
- ◆ The applicants have and will continue to provide adequate access to medically underserved populations.

Therefore, the application is conforming with 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.

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According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on the hospital. Therefore, the application is conforming 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.

NA

The Criteria and Standards for Psychiatric Beds in 10A NCAC 14C .2600 are not applicable because the applicants do not propose to establish new psychiatric beds.

