

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: July 27, 2012

PROJECT ANALYST: Gregory F. Yakaboski

ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: J-8778-12 / SBH-Raleigh, LLC d/b/a Strategic Behavioral Center / Transfer 20 inpatient child and adolescent psychiatric beds from Broughton 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 applicant, SBH-Raleigh, LLC d/b/a Strategic Behavioral Center (SBC), proposes to transfer 20 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2012 State Medical Facilities Plan (SMFP). The applicant is proposing to add the 20 inpatient psychiatric beds to a 72-bed psychiatric residential treatment facility (PRTF) currently under construction in Garner, in Wake County. The applicant does not propose to develop new inpatient psychiatric 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 the review of this application. Policy MH-1: LINKAGES BETWEEN TREATMENT SETTINGS 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 3 contains a letter of support for the project from the Director for Wake County, the area Local Management Entity (LME). The application is conforming with Policy MH-1.

Policy PSY-1: TRANSFER OF BEDS FROM STATE PSYCHIATRIC HOSPITALS TO COMMUNITY FACILITIES

*“Beds in the State Psychiatric Hospitals used to serve short-term psychiatric patients may be relocated to community facilities through the certificate of need process. However, before beds are transferred out of the state psychiatric hospitals, services and programs shall be available in the community. State psychiatric hospital beds that are relocated to community facilities shall be closed within 90 days following the date the transferred beds become operational in the community.*

*Facilities proposing to operate transferred beds shall submit an application to the Certificate of Need Section of the Department of Health and Human Services and commit to serve the type of short-term patients normally placed at the state psychiatric hospitals. To help ensure that relocated beds will serve those persons who would have been served by the State psychiatric hospitals, a proposal to transfer beds from a State hospital shall include a written memorandum of agreement between the local management entity serving the county where the beds are to be located, the secretary of Health and Human Services, and the person submitting the proposal.”*

Exhibit 13 contains a signed memorandum of agreement dated February 13 between the Local Management Entity serving Wake County, the Department of Health and Human Services and SBC.

The signed agreement provided in Exhibit 13, the letter of support in Exhibit 3 and pages 5-8 of the application adequately document the following:

- The Local Management Entity (LME) has been contacted and invited to comment on the proposal.
- The Department of Health and Human Services has agreed to close the 20 psychiatric beds at Broughton Hospital within 90 days following the transfer of the beds to SBC.
- SBC has committed to serve the type of short-term psychiatric patients normally placed at the state psychiatric hospitals.
- The application includes a written memorandum of agreement between the LME, the Department of Health and Human Services and SBC.

In summary, the application is conforming with Policy MH-1 and Policy PSY-1. 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 applicant proposes to develop a new 20-bed inpatient child and adolescent psychiatric facility by relocating 20 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2012 SMFP. The applicant is proposing to add the 20 inpatient psychiatric beds to a 72-bed psychiatric residential treatment facility (PRTF) currently under construction in Garner, in Wake County. Upon project completion, SBC would be licensed for a total of 20 inpatient psychiatric beds and 72 PRTF beds.

**Population to be Served**

In Section III.5, page 30, the applicant provides the projected patient origin for inpatient psychiatric services for the first two full fiscal years following project completion, as illustrated in the following table.

County	First Full Fiscal Year CY 2014		Second Full Fiscal Year CY 2015	
	# of Patients	% of Total	# of Patients	% of Total
Wake	290	58%	316	51.0%
Durham	85	17%	90	14.0%
Cumberland	45	9%	60	9.7%
Johnston	30	6%	35	5.6%
Mecklenburg	49	10%	60	9.7%
Cabarrus			20	3.2%
Alamance			20	3.2%
Hoke			10	1.6%
Scotland			10	1.6%
Total	499	100%	621	100.0%

In Section III.5, page 30, the applicant states *“SBC does not currently have inpatient psychiatric beds. The 100% indicated patient by county for our PRTF site during 2011 with strong consideration for population density and expected growth.”*

The applicant also states *“Projected patient origin was projected based upon the historical data from our PRTF program that has operated in Leland, NC for the prior three years and what counties adolescents come to our program from an inpatient facility and/or are in our facility and require an inpatient level of care. Because of the unmet need in Wake County and the location of the proposed inpatient beds, Wake County is noted as the primary location where youth will be admitted from. With regard to Mecklenburg County; our PRTF program continues to see an increase in referrals from the area and after discussions with the utilization departments in the western part of the state, there remains an unmet need for inpatient beds. Our residents in Leland are often transported to inpatient beds that are 3-4 hours from the facility. The inpatient beds located at Holly Hill and Brynn Marr 8 out of 10 times are either full or we are told that our residents are too “acute” for acute and therefore*

*we have to send them to beds that are 3-4 hours from the Leland facility and that is if those programs will admit our PRTF residents.”*

The applicant adequately identifies the population proposed to be served.

### **Demonstration of Need**

In Section III, page 26, the applicant states:

*“The Treatment Advocacy Center reports that there should be 50 public inpatient psychiatric beds per 100,000 individuals as a minimum number. The population growth will continue to put a strain on the already strained mental health system and the emergency departments’ seeking inpatient beds for adolescents. As a result of the State’s mental health reform initiative, local hospital emergency departments are being overwhelmed with psychiatric patients in distress. This trend affects not only those with mental illness but also others in the community who need emergency medical care. NAMI [National Association for Mental Illness] Wake County reports in the indicators of the Impact of North Carolina’s ‘Mental Health Reform’ on People with Severe Mental Illness: 250,000 individuals with mental illness presented in the first quarter of 2008 as reported by the LME’s. If the rate continues at the same pace there would be 332,000 presenting in emergency departments by year end requiring psychiatric services. This data is voluntary among LME’s therefore there are expected to be many individuals who are not counted in the numbers noted above. Since the NC State reform of 2008 there has been a steady decrease in the number of available beds for adolescents. Strategic Behavioral Center will offer an additional 20 inpatient psychiatric beds for the adolescents of North Carolina this alleviating some of the strain on the mental health system and ensuring the needed level of care for the adolescent population.”*

On page 26 the applicant cites the following factors in North Carolina to support the need for the proposed psychiatric beds:

- **Suicide Attempts and Thoughts:** About 3% of all children, 8% of all male adolescents and 16% of all female adolescents have attempted suicide. Regarding suicidal thoughts, 17% of male children, 15% of female children, 14% of male adolescents and 26% of female adolescents have had suicidal thoughts in the past three months.
- **Health Care Services:** Adolescent females have the highest percentages of telephone crisis contacts, emergency room visits and hospital inpatient days.
- **Hurt/Self Injurious Behaviors:** Sixty-four percent of male children and 55% of female children hurt or caused pain to others in the past 3 months. About a third of all children and adolescents had been abused in the past 3 months.

These data are from NC-TOPPS [NC Treatment Outcomes and Program Performance System] for children and adolescents who entered mental health treatment during the period from July 1, 2010 through June 30, 2011.

In supplemental materials the applicant states:

*“The numerical need for beds based upon population growth and bed utilization in the State Medical Facilities plan indicates a tremendous need for beds. So much so in fact the 2012 approved State Medical Facilities plan reports a statewide inpatient bed need of 74 child and adolescent beds.*

*When meeting with and speaking to Emergency departments the consistent comment is that we do not have psychiatric beds available. The other comment heard from private providers is that there are not beds available. As a provider of residential psychiatric services that serves residents who at times require inpatient psychiatric beds to ensure the child’s safety we are often told that there are no beds available and/or that our residential level kids are too acute for an acute setting.*

*Below are additional indicators that support the need:*

*Strategic Behavioral Center has met with and/or communicated with the following individuals who have consistently indicated the need for the inpatient beds and specifically in the area which we are proposing to locate the beds.*

- *New Hanover Regional Medical Center: met with Administrator for Behavioral Health and Assistant VP of Patient Services, Karen Pleva who reports the need for child and adolescent beds. The closest beds are 1.5 hours away. They are often full and the hospital has to treat the youth in the emergency room and sometimes in a pediatric bed.*
- *New Hanover Regional Medical Center’s Emergency room director, Christy Spivey reports the same information above.*
- *Dr. Robbie Adams along with the additional practioners [sic] in his New Hanover County practice which focuses on New Hanover and Brunswick county reports seeing an average of 15 youth per month that require the inpatient level of service.*
- *NAMI North Carolina Executive Director Debbie Dihoff met with Strategic Behavioral Center to discuss the need for beds and the proposed project. Ms. Dihoff reports that there is a known shortage in the State and supports the transfer of the 20 inpatient psychiatric beds from Broughton to Strategic Behavioral Center.*
- *Wake Med’s Medical Director of Behavioral Health, Dr. Hartye reports that although he has a provider of child and adolescent inpatient psychiatric beds nearby they are often full. Therefore Wake Med is challenged with finding an inpatient setting in lieu of treating the youth in the ED or the pediatric unit. They have 6 designated behavioral health beds but they are adult.*
- *Vickie Bovial, Wake Human Services who also co-leads the Wake County Crisis Advisory Council Adolescents reports that in the monthly meeting that occurs in Wake County among emergency department administrators, law enforcement and inpatient psychiatric providers there is a consistent discussion about the lack of child and adolescent beds and what the*

*community can do to assist families in securing the necessary level of care for their children and adolescents.”*

The 2012 SMFP, Table 15C(1) *Child/Adolescent Psychiatric Inpatient Bed Need Determinations*, page 377, identifies the need for 74 additional child/adolescent inpatient psychiatric beds in North Carolina. As of the date of this decision, no certificate of need applications were received for 45 of the 74 beds. Many of the 74 beds were available in the 2011 SMFP but no one applied to develop them that year either. The Local Management Entity for Wake County signed both a letter of support for the proposed project and memorandum of agreement regarding the proposed project. See Exhibits 3 and Exhibit 13.

### Projected Utilization

In Section IV.1, page 32, and supplemental documents, the applicant provides the total projected utilization in the first two years of the project as illustrated in the table below:

	<b>First Full Fiscal Year CY 2013</b>	<b>Second Full Fiscal Year CY 2015</b>
Total # of Patients Admitted	502	621
Average Length of Stay	9	9
Total # of Patient Days of Care	4,518	5,581
IP Psych Beds	20	20

In Section IV, page 32, and in supplemental documents, the applicant describes its assumptions and the methodology used to project utilization of the child/adolescent inpatient psychiatric beds. On page 32, the applicant states:

*“The method used to project utilization comes from our organizations past (3) years of providing PRTF services within North Carolina. We have been tracking both the number of referral calls for acute services that we received as well as the number of children we had to discharge to acute services from our existing facility.”*

The applicant identified the average length of stay in current North Carolina acute facilities and projected the number of patients to be admitted based on tracking the number of referral calls for acute services that SBC received at its PRTF facility in Leland as well as the number of children SBC discharged from its Leland facility to acute services. In supplemental documents, the applicant states *“Strategic Behavioral Health dba/Strategic Behavioral Center in NC owns and operates 3 inpatient psychiatric facilities in Colorado and Nevada. In each of those facilities we have seen a consistent length of stay ranging from 9.2-9.6. Additionally, our PRTF residents from our Leland program that require stabilization in an inpatient hospital setting during that past three years are in an acute program for 9-11 days before stepping back down into the PRTF level of care.”* The applicant assumes an average length of stay of 9 days.

The projected number of patients for the first two full fiscal years (CY 2013 and CY 2014) are 502 and 621 respectively. The applicant states *“The method used to project utilization*

*comes from our organization's past three (3) years of providing PRTF services in North Carolina, inpatient bed days of current inpatient psychiatric facilities in North Carolina, inpatient bed need and deficits throughout the State as well as the utilization rates of Strategic Behavioral Health's three inpatient facilities utilization rates and those rates based upon area population. Furthermore; we have had numerous conversations with LME's, MCO's and ED's that are consistent in their need for additional inpatient psychiatric beds. Some of those entities include: Wake Med, Duke Medical, Rex Healthcare, Cumberland County LME, Wake County Human Services, Wake Brook, Durham LME, Mecklenburg LME, Johnston LME, Five County LME, Alamance, Cumberland County LME and through attendance and participation in community collaborative meetings in those locations."*

On page 32 of the application, SBC provides, by quarter, the total number of patients admitted, average length of stay and the total number of patient days of care for each of the first two project years following completion of the proposed project. The average daily census and occupancy rate for each quarter are illustrated in the tables below:

**Project Year 1**

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Total</b>
Total # of Patients Admitted	100	120	133	149	502
Average Length of Stay	9	9	9	9	9
Total # of Patient Days of Care	900	1,080	1,197	1,341	4,518
Average Daily Census	9.9	11.8	13.1	14.7	12.38
IP Psych Beds	20	20	20	20	20
Occupancy Rate	49.5%	59.0%	65.5%	73.7%	62.0%

\*Average Daily Census (Patient days of care/ 91.25 days)

\*Occupancy Rate: Average Daily Census/ Inpatient Psych Beds

**Project Year 2**

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Total</b>
Total # of Patients Admitted	152	156	156	157	621
Average Length of Stay	9	9	9	9	9
Total # of Patient Days of Care	1,368	1,404	1,404	1,405	5,581
Average Daily Census	14.99	15.4	15.4	15.4	
IP Psych Beds	20	20	20	20	20
Occupancy Rate	75%	77%	77%	77%	77%

\*Average Daily Census (Patient days of care/ 91.25 days)

\*Occupancy Rate: Average Daily Census/ Inpatient Psych Beds

As shown in the table above SBC projects occupancy at 77% for the total number of licensed psychiatric beds proposed to be operated in the facility starting in the second quarter continuing through the fourth quarter of the second operating year which exceeds the performance standards promulgated in 10A NCAC 14C .2603.

According to the 2012 Licensure Renewal Application, in FFY 2011 the 60 child and adolescent inpatient psychiatric beds at Holly Hill Hospital in Raleigh (Wake County) were utilized at an occupancy rate of 79.4% and are often full.

The applicant states

*“Strategic Behavioral Center’s PRTF program serves adolescents from throughout the State of North Carolina. As a provider of the PRTF level of service in North Carolina for the past three years we have consistently recognized and been impacted by the need for child and adolescent inpatient psychiatric beds. We have received telephone calls from emergency departments asking for assistance in locating inpatient beds because they have been unable to locate an available bed and/or asking if just this once we would admit the child. If the ED does not locate a bed the end result is typically for the child to remain in the emergency department for multiple days until a bed is located or the child is stable enough to discharge. Unfortunately, we explain that we are unable admit [sic] the child because we are currently not licensed to provide the inpatient level of care. Additionally, when we have an adolescent in our own PRTF we are regularly unable to locate an available bed and are often told that our residents are too acute for an acute setting. We have had adolescents from our PRTF transported 4 hours away to the nearest inpatient bed.”*

*Children and adolescents will be referred to our inpatient beds from several different modalities:*

- 1. Direct admission from emergency department*
- 2. Family*
- 3. Case Management*
- 4. Involuntary Commitment papers*
- 5. Lower levels of care: outpatient service providers (mental health and medical), group homes, psychiatric residential treatment facilities.*

*Our facility will be able to provide assessments 24/7 for appropriateness of care. If inpatient level of care is necessary than we will proceed with the admission. If it is not required we will refer to the appropriate level of care.*

*It is our goal in relocating 20 child and adolescent inpatient psychiatric beds from Broughton Hospital to Strategic Behavioral Center that we are able to increase access to 20 beds for youth that require an inpatient psychiatric level of care. In review of this project please remain cognizant that the transfer of bed request does not increase the State bed capacity. We will staff 20 unstaffed beds which will in turn soften the bed deficit in the State. It will not alleviate it.”*

Furthermore, the applicant states

*“During the three years that our PRTF program in Leland has been operational, we have consistently seen an under availability of inpatient psychiatric beds. The 3-4 youth that are in our program on any given day that may meet criteria for inpatient beds are often denied due to their acuity or because we are told that there are no State or private beds available or a combination of the 2 reasons mentioned. With the*

*proposed inpatient beds we will be able to ensure the safety and treatment needs for the youth currently in our PRTF program as well as assisting in meeting the unmet needs throughout the State with the mindset that our inpatient beds serve acute youth.*

...

*Furthermore; we have had numerous conversations with LME's, MCO's and ED's that are consistent in their need for additional inpatient psychiatric beds. Some of those entities include: Wake Med, Duke Medical, Rex Healthcare, Cumberland County LME, Wake County Human Services, Wake Brook, Durham LME, Mecklenburg LME, Johnston LME, Five County LME, Alamance, Cumberland County LME and through attendance and participation in community collaborative meetings in those locations."*

Projected utilization is based on reasonable, credible and supported assumptions. Therefore, the applicant adequately demonstrates the need to transfer the 20 inpatient psychiatric beds from Broughton Hospital to SBC's proposed facility in Garner.

In summary, the applicant adequately identifies the population to be served and adequately demonstrates the need the population to be served has for the proposed project. Therefore, 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.

NA

- (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

On page 30 the applicant states:

*"The proposed project is in response to the need for child and adolescent in-patient psychiatric beds in the State of North Carolina. There is not an alternative option to meet the needs of the children and adolescents."*

The applicant adequately demonstrates the need for the 20 additional beds at SBC. See Criterion (3) for discussion. Furthermore, the application is conforming with all other statutory and regulatory review criteria. See Criteria (1), (5), (6), (7), (8), (12), (13), (14), (18a), (20), and 10A NCAC 14C .2600 Criteria and Standards for Psychiatric Beds. The applicant adequately demonstrates that the proposal is its least costly or most effective

alternative to meet the need for the proposed inpatient psychiatric services. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

1. **SBH-Raleigh, LLC d/b/a Strategic Behavioral Center shall materially comply with all representations made in the certificate of need application and in the supplemental information materials submitted during the review. In those instances where representations conflict, SBH-Raleigh, LLC shall materially comply with the last made representation.**
  2. **SBH-Raleigh, LLC d/b/a Strategic Behavioral Center shall transfer no more than 20 inpatient psychiatric beds from Broughton Hospital for a total licensed bed complement of no more than 20 inpatient psychiatric beds and 72 psychiatric residential treatment facility beds.**
  3. **SBH-Raleigh, LLC d/b/a Strategic Behavioral Center shall accept patients requiring involuntary admission for inpatient psychiatric services.**
  4. **SBH-Raleigh, LLC d/b/a Strategic Behavioral Center 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

SBC is currently developing a 72 bed PRTF facility in Garner, which did not require a certificate of need. In this application, SBC proposes to transfer 20 inpatient psychiatric beds from Broughton Hospital to the 72-bed PRTF facility in Garner. The total capital cost of the facility is \$10,839,000 (\$2,167,800 inpatient psychiatric beds + \$8,671,200 PRTF beds).

The applicant projects the total capital cost of the proposed project to be \$2,167,800 as shown in the following table.

Item	Projected Cost
Site Preparation	\$392,800
Construction Contract	\$1,538,000
Miscellaneous Project Costs	\$237,000
Total	\$2,167,800

In Section IX, page 58, the applicant projects that the total working capital for this project will be \$75,185 [\$50,000 for start-up expenses and \$25,185 for initial operating expenses.]

In Section VIII.2, page 51, the applicant states that financing for the proposed project will be funded by a \$5,200,000 conventional loan and \$5,639,000 in owner's equity of Strategic Behavioral Health, LLC, the parent company for SBC. In Section IX, page 58, the applicant states that the working capital will come from unrestricted cash. Exhibit 22 contains a copy of a construction loan agreement for \$5,200,000 between Fifth Third Bank and SBH Raleigh, LLC. Exhibit 22 also contains a letter dated February 13, 2012 from the Treasurer of Strategic Behavioral Health, LLC which states:

*"As noted within other sections of this Certificate of Need ("CON") Application, the estimated cost of this project is \$10.7 million. This project will be partially funded with a \$5.7 million bank loan. The funds expected to be received from this loan are reflected on the Note Payable line within the Balance Sheet (Form A) of the CON Application Proformas.*

*The remaining \$5.0 million will be funded by capital contributions from the individual members of SBH Raleigh, LLC. This planned capital infusion is reflected in the Fund Balance line within the above-referenced Balance Sheet. This amount will be reported as Member's Contributions within the Member's Equity section of the SBH internally-prepared and audited Balance Sheet. Given that these accounts were not included within the CON Application templates, we reported these projected capital contributions in the accounts within the templates that most closely resembled the above-referenced Member's Equity account. We concluded that the Fund Balance section of the template Balance Sheet was similar to the Member's Equity section of our balance sheet; therefore, reported the projected capital contributions (i.e., Member's Contributions) as an increase in the Unrestricted Fund Balance."*

The applicant also provided a letter dated May 1, 2012 from the Senior Vice President of First Tennessee Bank which states

*"In reference to the above matter regarding SBH Raleigh, LLC, this will confirm that the organization and its members maintain sufficient liquid assets well in excess of \$5,000,000 in liquidity to fund the upcoming capital call for this project. First Tennessee Bank has a long term relationship with not only Strategic Behavior Health, LLC, but also very lengthy relationship with its primary members, the Dobbs family of Memphis, Tennessee."*

SBC also supplied a draft audit report for the financial statements of SBH as of December 31, 2011 which shows cash and cash equivalents of \$4,103,586 and total member's equity of \$31,153,034. A copy of the consolidated internal balance sheet of SBH as of March 31, 2012 shows net partner capital of \$31,077,817. The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project.

In the Financials Section of the application, the applicant provides the projected charges and 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 inpatient

psychiatric services in each of the first three full years of operation following project completion. The assumptions used by the applicant in preparation of the pro formas are reasonable, including the projected number of patient days of care. See the Financials Section of the application for the pro formas and assumptions. See Criterion (3) for discussion of utilization projections. The applicant adequately demonstrates 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

Pursuant to Policy PSY-1 in the 2012 SMFP, the applicant proposes to transfer 20 inpatient psychiatric beds from Broughton Hospital in Morganton in Burke County to Garner, in Wake County. Upon completion of the proposed project, SBC will be licensed for 20 inpatient psychiatric beds and 72 psychiatric residential treatment facility beds. The closest child and adolescent inpatient psychiatric beds are located at Holly Hill Hospital in Raleigh (Wake County). According to the 2012 Licensure Renewal Application, in FFY 2011, the 60 child and adolescent inpatient psychiatric beds at Holly Hill Hospital in Raleigh (Wake County) were utilized at an occupancy rate of 79.4% and are often full. The applicant’s discussion, summarized in Criterion (3), regarding the need for the 20 inpatient psychiatric beds to serve children and adolescents is hereby incorporated by reference as if fully set forth herein.

The 2012 SMFP identifies a need for 74 additional child and adolescent inpatient psychiatric beds statewide. As of the date of this decision, 45 of the 74 beds were not applied for. Many of the 74 beds were available in the 2011 SMFP but were not applied for. The 20 beds to be transferred from Broughton exist but are not staffed for use.

The applicant adequately demonstrates that the proposed project will not result in unnecessary duplication of existing or approved inpatient psychiatric beds for children and adolescents. 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

The following table illustrates the proposed staffing for Year 2 of the project, as shown in Section VII, page 47, and supplemental documentation.

<b>Position</b>	<b>Proposed FTEs</b>	<b>Average Annual Salary</b>	<b>Total Contract Hours</b>	<b>Average Contract Hourly Rate</b>
Program Director	1.0		360	\$180

Psychiatrists	2.0			
Psychiatric Social Workers	3.0	\$48,095		
Other Mental Health Professionals	2.0	\$37,440		
Registered Nurses	2.0	\$49,420		
Nursing Assistants/Aides/Orderlies	8.0	\$27,040		
Clerical Support/ Unit Secretaries	2.0	\$22,901		
Medical Records	2.0	\$22,880		
Housekeeping / Laundry	2.0	\$20,800		
Maintenance	1.0	\$22,880		
Security	1.0	\$20,831		
Administration	1.0	\$24,960		
Business Office	1.0	\$24,960		

In Section VII, pages 48-50, the applicant describes the recruitment and retention policies and procedures of SBC. The applicant states that the universities in North Carolina have professional training programs in medicine, nursing, psychology, social work and counseling. The local staff is also supported in its recruitment and staffing by the corporate staff. Exhibit 12 contains a copy of the medical director’s curriculum vitae and a signed letter which states he is a board-certified psychiatrist and will continue to serve as medical director for Strategic Behavioral Center “*as we continue to expand our scope of psychiatric treatment and locations of services.*” The applicant adequately demonstrates 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 14, the applicant identifies the necessary ancillary and support services that will be made available for the facility. Also on page 14, the applicant states “*Upon approval of the CON, contracts will be expanded to cover the additional services for the psychiatric beds.*” On page 23 the applicant provides the names of 8 child and adolescent psychiatrists who have indicated their willingness to provide services for the inpatient psychiatric beds. Exhibit 16 contains a letter of support from both Durham Regional Hospital and New Hanover Regional Medical Center. Durham Regional Hospital states that it will execute a transfer agreement with SBC and New Hanover Regional Medical Center states that it will engage in discussions to secure a transfer agreement with SBC. On page 33 the applicant also states that an executed transfer agreement would be finalized following approval of the certificate of need request and prior to the first day of bed availability with Rex UNC Healthcare. Exhibit 10 contains a pharmacy services agreement with PharMerica. The applicant adequately demonstrates 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

In Section XI.4, page 61, the applicant states that the overall building under construction in Garner (including the PRTF and the proposed inpatient psychiatric beds) is 55,000 square feet. Exhibit 4 contains a line drawing of the proposed project including the proposed 10,000 square feet which would accommodate the proposed inpatient psychiatric beds. The applicant provides a letter from the construction company confirming that the projected construction cost is based on reasonable and supported assumptions. In Exhibit 25, the applicant describes the energy-saving features to be incorporated into the project. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative for the project it proposes, 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 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;

NA

(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 applicants;

NA

(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 44, the applicant provides the projected payor mix for the inpatient psychiatric beds during the second year of operation following project completion, which is shown in the following table.

<b>Payor</b>	<b>Projected Patient Days as % of Total</b>
Self Pay/ Indigent/ Charity	3%
Medicaid	87%
Managed Care	10%
Total	100%

On page 44 the applicant states the projected payor mix is based on the PRTF payor mix. The applicant further states *“The calculations are based upon the current and historic payer mix in our Leland facility and our data from the three additional facilities that Strategic Behavioral Health owns and operates in two additional states.”*

The applicant demonstrates that medically underserved populations would have adequate access to inpatient psychiatric services offered at SBC. 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.

C

In Section VI.8(c), page 43, the applicant states: “*SBC takes referrals for services from all providers, families and individuals.*” The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to inpatient psychiatric services. The information provided in Section VI.8 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, page 33, the applicant states that SBC currently has professional agreements with the University of North Carolina at Wilmington for nursing interns and Wake Forest University Baptist Medical Center for physician assistants. Exhibit 14 contains copies of these agreements. On page 33 the applicant states both that SBC plans to expand the scope of these professional training programs and that “*During the first fiscal year SBC will evaluate the addition of professional training programs and pursue them if needed and/or if we are able to facilitate.*” 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.

C

See Sections II, III, V, VI and VII. In particular, see Section V, page 36, in which SBC 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 the supplemental information provided by the applicant. The information provided by the applicant 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 for children and adolescents. This determination is based on the information in the application (including the supplemental information), and the following:

- ◆ The applicant adequately demonstrates the need to transfer 20 inpatient psychiatric beds from Broughton Hospital to Garner to serve children and adolescents and that it is a cost-effective alternative to meet the need;
- ◆ The applicant has and will continue to provide quality services; and
- ◆ The applicant has 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.

NA

- (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

The application is conforming to all applicable Criteria and Standards for Psychiatric Beds. The specific criteria are discussed below.

#### **10A NCAC 14C .2602 INFORMATION REQUIRED OF APPLICANT**

- (a) *An applicant proposing to establish new psychiatric beds shall project resident origin by percentage by county of residence. All assumptions and the methodology for projecting occupancy shall be stated.*

- C- On page 30, and in supplemental documentation, the applicant provides patient origin by percentage by county of residence as well as all assumptions and the methodology for projecting occupancy.
- (b) *An applicant proposing to establish new psychiatric beds shall project an occupancy level for the entire facility for the first eight calendar quarters following the completion of the proposed project, including average length of stay. All assumptions and the methodology for projecting occupancy shall be stated.*
- C- In Exhibit 7 and Section IV, page 32, and in supplemental materials, the applicant provides the projected utilization and the occupancy level for the proposed inpatient psychiatric beds for each of the first eight calendar quarters following project completion, including the average length of stay. The assumptions and methodology used are included on page 32 and in supplemental materials.
- (c) *The applicant shall provide documentation of the percentage of patients discharged from the facility that are readmitted to the facility at a later date.*
- NA- SBC does not have inpatient psychiatric beds.
- (d) *An applicant proposing to establish new psychiatric beds shall describe the general treatment plan that is anticipated to be used by the facility and the support services to be provided, including provisions that will be made to obtain services for patients with a dual diagnosis of psychiatric and chemical dependency problems.*
- C- Exhibit 8 contains a copy of SBC's multi-disciplinary treatment plan. The applicant further states *"Strategic Behavioral Center completes a comprehensive assessment that is reflected in our Plan of Care and Multi Disciplinary Treatment Plan which assesses and addresses an individuals' need for psychiatric and/or a dual diagnosis treatment due to a chemical dependency problem utilizes Strategic Behavioral Center also uses the Seven Challenges evidence based program for youth that are admitted with a dual diagnosis of psychiatric and chemical dependency problems per the rules. This program is in addition to the assessment and medical treatment provided while in the inpatient psychiatric program."*
- (e) *The applicant shall document the attempts made to establish working relationships with the health care providers and others that are anticipated to refer clients to the proposed psychiatric beds.*
- C- Exhibit 3 contains a letter from Wake LME. Exhibit 16 contains letters of support from Durham Regional Hospital and New Hanover Regional Medical Center. On page 23, the applicant provides a list of child and adolescent psychiatrists who have expressed interest in providing services to the psychiatric inpatients. Exhibit 6 contains a list of all of the referral sources for PRTF patients for 2011. Exhibit 9 contains copies of letters to other health care providers documenting attempts to establish working relationships. In Section V.4(c), page

34-35, the applicant provides a list of local individuals who attended SBC informational meetings and support the proposed project.

(f) *The applicant shall provide copies of any current or proposed contracts or agreements or letters of intent to develop contracts or agreements for the provision of any services to the clients served in the psychiatric facility.*

-C- Exhibit 10 contains a contract for pharmacy services. Exhibit 16 contains a letters of support from Durham Regional Hospital and New Hanover Regional Medical Center. The President of Durham Regional states that it will execute a transfer agreement with SBC. New Hanover Regional Medical Center states that it will engage in discussions to secure an executed transfer agreement with SBC. Exhibit 20 also contains a letter from the current medical director expressing his willingness to continue to serve in this capacity for Strategic Behavioral Center “*as we continue to expand our scope of ... and locations of services.*”

(g) *The applicant shall document that the following items are currently available or will be made available following completion of the project:*

*(1) admission criteria for clinical admissions to the facility or unit;*

-C- Admission criteria for clinical admissions to the facility are provided on page 17.

*(2) emergency screening services for the targeted population which shall include services for handling emergencies on a 24-hour basis or through formalized transfer agreements;*

-C- On page 17, the applicant states that emergency services are provided 24/7/365.

*(3) client evaluation procedures, including preliminary evaluation and establishment of an individual treatment plan;*

-C- On pages 17-18, the applicant provides its client evaluation procedures, including preliminary evaluation and establishment of an individual treatment plan.

*(4) procedures for referral and follow-up of clients to necessary outside services;*

-C- On page 18, the applicant provides its procedures for referral and follow-up of clients to necessary outside services.

*(5) procedures for involvement of family in counseling process;*

-C- On page 18, the applicant provides its procedures for involvement of family in counseling process.

*(6) comprehensive services which shall include individual, group and family therapy; medication therapy; and activities therapy including recreation;*

-C- On page 18, the applicant states describes the comprehensive services offered by SBC which include individual, group and family therapy; medication therapy; and activities therapy, including recreation.

*(7) educational components if the application is for child or adolescent beds;*

-C- On page 18, the applicant states: “SBC offers a Non-Public Private School on site for all patients. Students are placed in the regular school track unless special education services were being provided by their home school.”

*(8) provision of an aftercare plan; and*

-C- On page 18, the applicant describes the aftercare plan used by SBC.

*(9) quality assurance/utilization review plan.*

-C- Exhibit 5 contains a copy of the applicant’s quality management plan.

*(h) An applicant proposing to establish new psychiatric beds shall specify the primary site on which the facility will be located. If such site is neither owned by nor under option by the applicant, the applicant shall provide a written commitment to pursue acquiring the site if and when a certificate of need application is approved, shall specify at least one alternate site on which the facility could be located should acquisition efforts relative to the primary site ultimately fail, and shall demonstrate that the primary site and alternate sites are available for acquisition.*

-C- In Section II, page 19, the applicant states that it has purchased the property at 3200 Waterfield Road in Garner.

*(i) An applicant proposing to establish new psychiatric beds shall provide documentation to show that the services will be provided in a physical environment that conforms with the requirements in 10A NCAC 27G .0300.*

-C- On page 19, the applicant describes the proposed physical environment of the facility and states that the facility will meet the requirements in 10A NCAC 27G .0300.

*(j) An applicant proposing to establish new adult or child/adolescent psychiatric beds shall provide:*

*(1) documentation that adult or child/adolescent inpatient psychiatric beds designated for involuntary admissions in the licensed hospitals that serve the proposed mental health planning area were utilized at less than 70 percent for facilities with 20 or more beds, less than 65 percent for facilities with 10 to 19 beds, and less than 60 percent for facilities with one to nine beds in the most recent 12 month period prior to submittal of the application; or*

(2) *a written commitment that the applicant will accept involuntary admissions and will meet the requirements of 10A NCAC 26C .0103 for designation of the facility, in which the new psychiatric beds will be located, for the custody and treatment of involuntary clients, pursuant to G.S. 122C-252.*

-C- Exhibit 11 contains a letter from the CEO of SBC which states that the facility will accept involuntary admissions and will meet the requirements of 10A NCAC 26C .0103.

## **.2603 PERFORMANCE STANDARDS**

(a) *An applicant proposing to add psychiatric beds in an existing facility shall not be approved unless the average occupancy over the six months immediately preceding the submittal of the application of the total number of licensed psychiatric beds within the facility in which the beds are to be operated was at least 75 percent.*

-NA- The applicant is proposing a new inpatient psychiatric facility.

(b) *An applicant proposing to establish new psychiatric beds shall not be approved unless occupancy is projected to be 75% for the total number of licensed psychiatric beds proposed to be operated in the facility no later than the fourth quarter of the second operating year following completion of the project.*

-C- On page 32, the applicant projects that the occupancy rate of the total number of licensed inpatient psychiatric beds will be 77.0% during the fourth quarter of the second operating year following completion of the project. The applicant's assumptions and methodology used to project utilization of the psychiatric beds are provided on page 32 and in supplemental information. See Criterion (3) for additional discussion regarding projected utilization which is hereby incorporated as if fully set forth herein.

## **.2605 STAFFING AND STAFF TRAINING**

(a) *A proposal to provide new or expanded psychiatric beds must provide a listing of disciplines and a staffing pattern covering seven days per week and 24 hours per day.*

-C- On page 46, the applicant provides a list of disciplines and a daily staffing pattern for the inpatient psychiatric beds. Additional information on the staffing pattern is provided on page 21.

(b) *A proposal to provide new psychiatric beds must identify the number of physicians licensed to practice medicine in North Carolina with a specialty in psychiatry who practice in the primary service area. Proposals specifically for or including child or adolescent psychiatric*

*beds must provide documentation to show the availability of a psychiatrist specializing in the treatment of children or adolescents.*

- C- On pages 21-22, the applicant provides a list of licensed of psychiatrists routinely providing care in SBC's primary service area, documenting the availability of psychiatrists specializing in the treatment of children or adolescents. Exhibit 12 contains a letter from Jeremy Revell, MD stating that he is board-certified in child and adolescent psychiatry and expressing his willingness to continue to serve as Medical Director for Strategic Behavioral Center "*as we continue to expend our scope ... and locations of services*".
- (c) *A proposal to provide additional psychiatric beds in an existing facility shall indicate the number of psychiatrists who have privileges and practice at the facility proposing expansion. Proposals specifically for or including child or adolescent psychiatric beds must provide documentation to show the availability of a psychiatrist specializing in the treatment of children or adolescents.*
- NA- SBC does not currently have inpatient psychiatric beds.
- (d) *A proposal to provide new or expanded psychiatric beds must demonstrate that it will be able to retain the services of a psychiatrist who is eligible to be certified or is certified by the American Board of Psychiatry and Neurology to serve as medical director of the facility or department chairman of the unit of a general hospital.*
- C- Exhibit 12 contains a letter from Jeremy Revell, MD stating that he is board-certified in child and adolescent psychiatry and expressing his willingness to continue to serve as Medical Director for Strategic Behavioral Center "*as we continue to expend our scope ... and locations of services*".
- (e) *A proposal to provide new or expanded psychiatric beds must provide documentation to show the availability of staff to serve involuntary admissions, if applicable.*
- C- Exhibit 11 contains a letter from the CEO of the SBC which states that the facility will accept involuntary admissions. On page 23 the applicant states that SBC "*has a detailed staffing plan that provides for a sufficient number of clinical professionals to:*
  - *Carry-out responsibilities and accountability to prescribe, delegate, and coordinate all patient care provided in this hospital.*"
- (f) *A proposal to provide new or expanded psychiatric beds must describe the procedures which have been developed to admit and treat patients not referred by private physicians.*
- C- On pages 24-25 the applicant describes the procedures which have been developed to admit and treat patients not referred by private physicians.
- (g) *A proposal to provide new or expanded psychiatric beds shall indicate the availability of training or continuing education opportunities for the professional staff.*

- C- On pages 25 the applicant describes the availability of training or continuing education opportunities for the professional staff.