

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: June 29, 2012

PROJECT ANALYST: Les Brown

ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: O-8774-12 / SBH Wilmington, LLC d/b/a Strategic Behavioral Center / Transfer 20 inpatient psychiatric beds from Broughton Hospital / Brunswick 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.

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The applicant, SBH Wilmington, 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 operates an existing 72-bed psychiatric residential treatment facility (PRTF) in Leland, in Brunswick 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 Area Director for the Southeastern Center, 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 Brunswick 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 6-10 of the application adequately document the following:

- The Local Management Entity (LME) has been contacted and invited to comment on the proposal.
- SBC is an existing psychiatric facility and already provides services and programs in the community.
- 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 proposal includes a 10,000 square foot addition to the existing 72-bed PRTF. 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 28, 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 |
|-------------|--------------------------------|---------------------------------|
| New Hanover | 39.0% | 39.2% |
| Brunswick | 14.0% | 15.0% |
| Columbus | 10.0% | 10.4% |
| Cumberland | 5.2% | 5.6% |
| Pender | 5.2% | 5.6% |
| Onslow | 5.2% | 4.8% |
| Carteret | 4.3% | 4.0% |
| Bladen | 2.6% | 2.4% |
| Lenoir | 2.6% | 2.4% |
| Duplin | 2.6% | 2.4% |
| Wake | 2.6% | 2.4% |
| Other* | 6.7% | 5.8% |
| Total | 100.0% | 100.0% |

* Includes other NC counties included on page 28.

In Section III.5, page 28, the applicant states that the projected inpatient psychiatric patient origin is based on the experience of the existing PRTF. The applicant adequately identifies the population proposed to be served.

Demonstration of Need

On page 24 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 24 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 practitioners [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."*

Projected Utilization

On page 30 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 projects utilization of the inpatient psychiatric beds at SBC during the first two full fiscal years following project completion, based on the following assumptions and methodology:

- SBC determined the projected population age 0 -17 for the proposed service area during 2014 (first full fiscal year), excluding the counties in the Wake LME and Brynn Marr Behavioral Health System LME (Onslow and Carteret Counties) which have existing child and adolescent inpatient psychiatric beds. The projected population is shown in the table below.

| County | 2014 Population Age 0 -17 |
|-------------|------------------------------|
| New Hanover | 41,859 |
| Brunswick | 21,261 |
| Columbus | 12,898 |
| Cumberland | 90,401 |
| Pender | 12,354 |
| Bladen | 7,670 |
| Lenoir | 13,654 |
| Hoke | 16,298 |
| Robeson | 35,980 |
| Sampson | 15,981 |
| Jones | 2,195 |
| Duplin | 15,369 |
| Craven | 26,177 |
| Pamlico | 2,258 |
| Total | 314,265 |

Source: Office of State Budget and Management

- SBC determined the child and adolescent inpatient psychiatric days per 1,000 population in North Carolina. According to the 2012 SMFP, in FFY 2010 there were 59,840 patient days and a population age 0 – 17 of 2,238,453. Thus, there were 26.73 patient days per 1,000 population age 0 – 17 in FFY 2010 [$59,840 / (2,238,453 / 1,000) = 26.73$ patient days per 1,000].
- SBC calculated the total projected patient days in the proposed SBC service area, excluding Wake, Onslow and Carteret Counties, by multiplying the patient days per 1,000 population (26.73) by the service area population in thousands (314.265). This resulted in 8,400 total projected patient days in the service area in 2014, the first full fiscal year [$26.73 \times 314.265 = 8,400$].
- SBC assumed that its market share would be 65% in the first full fiscal year and 67% in the second full fiscal year. These market shares are supported by several factors provided by the applicant in supplemental information and in the Licensure Renewal Applications of psychiatric hospitals which serve the patients in the proposed service area.

- There are no child and adolescent inpatient psychiatric beds in the proposed 14-county service area identified in the table above.
- The closest child and adolescent psychiatric beds are located at Brynn Marr Hospital in Jacksonville (Onslow County). According to the 2012 Licensure Renewal Application, in FFY 2011 the 72 child and adolescent psychiatric beds (26 inpatient and 46 PRTF beds) were utilized at an occupancy rate of 96.4%.
- 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.
- Several physicians, behavioral health professionals, hospitals (including emergency department staff) and law enforcement officials contacted by the applicant support the need for additional child and adolescent inpatient psychiatric beds in the proposed service area.

SBC applied these market share percentages to the total service area patient days (8,400) to determine the projected patient days for the SBC inpatient psychiatric beds in the first two full fiscal years.

- SBC assumed an average length of stay of 9 days. On page 30 the applicant states that it determined that the average length of stay of child and adolescent inpatients in North Carolina psychiatric hospitals is 9 days. SBC divided the projected patient days by 9 days to determine the number of admissions.

The projected utilization is summarized in the table below.

| | First Full Fiscal Year CY 2014 | Second Full Fiscal Year CY 2015 |
|----------------------------------|---|--|
| Service Area Population* | 314,265 | 314,265 |
| Total Service Area Patient Days* | 8,400 | 8,400 |
| SBC Market Share | 65% | 67% |
| Patient Days | 5,463 | 5,616 |
| Average Length of Stay | 9 | 9 |
| Admissions | 607 | 624 |
| Average Daily Census | 15.0 | 15.4 |
| IP Psych Beds | 20 | 20 |
| Occupancy Rate | 75.0% | 77.0% |

* Held constant in Year 2 for purpose of utilization projections.

Projected utilization is based on reasonable and supported assumptions. Therefore, the applicant adequately demonstrates the need to transfer the 20 inpatient psychiatric beds.

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 27 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), (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 Wilmington, 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 Wilmington, LLC shall materially comply with the last made representation.**
- 2. SBH Wilmington, 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 Wilmington, LLC d/b/a Strategic Behavioral Center shall accept patients requiring involuntary admission for inpatient psychiatric services.**

4. SBH Wilmington, 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.

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In Section VIII.1, page 50, the applicant projects the total capital cost of the project to be \$1,500,000, as shown in the following table.

| Item | Projected Cost |
|---------------------------------------|----------------|
| Site Preparation | \$60,000 |
| Construction Contract | \$1,245,000 |
| Furniture | \$100,000 |
| Architect/Engineering/Consultant Fees | \$85,000 |
| Landscaping | \$10,000 |
| Total | \$1,500,000 |

In Section IX, page 53, the applicant projects that the total working capital for this project will be \$75,185, including \$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 from owner's equity of Strategic Behavioral Health, LLC, the parent company for SBH Wilmington, LLC. Exhibit 18 contains a letter from the Treasurer of Strategic Behavioral Health, LLC which states:

“As indicated within the proforma financial statements submitted within this CON Application, we have sufficient amounts within our Members’ Equity balances to fund this project.”

Exhibit 19 contains the independent auditor's report of the consolidated financial statements for the year ending December 31, 2010. As of December 31, 2010, Strategic Behavioral Health, LLC had \$1,809,144 in cash and cash equivalents, \$3,602,012 in member's equity and \$10,750,179 in total assets. 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.

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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 Leland, in Brunswick County. Upon completion of the proposed project, SBC will be licensed for 20 inpatient psychiatric beds and 72 psychiatric residential treatment facility beds. There are no child and adolescent inpatient psychiatric beds in the proposed 14-county service area. The closest child and adolescent inpatient psychiatric beds are located at Brynn Marr Hospital in Jacksonville (Onslow County). Jacksonville is located 58 miles from Leland (one hour driving time). According to the 2012 Licensure Renewal Application, in FFY 2011 the 72 child and adolescent inpatient psychiatric beds (26 inpatient and 46 PRTF beds) were utilized at an occupancy rate of 96.4%. 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. Raleigh is 127 miles away from Leland (over 2 hours driving time).

The applicant’s discussion regarding the need for the 20 inpatient psychiatric beds to serve adolescents which is quoted in Criterion (3) is hereby incorporated by reference as if fully set forth herein.

Therefore, the applicant adequately demonstrates that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities. 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.

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The following table illustrates the proposed staffing for Year 2 of the project, as shown in Section.

| Position | Proposed FTEs | Average Annual Salary | Total Contract Hours | Average Contract Hourly Rate |
|-----------------------------------|----------------------|------------------------------|-----------------------------|-------------------------------------|
| Program Director | | | 360 | \$180 |
| Psychiatrists | | | 1,248 | \$185 |
| Psychiatric Social Workers | 3.0 | \$49,730 | | |
| 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 | | |

On pages 44-45 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 10 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. 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.

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On page 11 the applicant identifies the necessary ancillary and support services that will be made available for the facility. On page 20 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 7 contains a letter of support from Brunswick Novant Medical Center, which states that there is an executed transfer agreement between the two facilities. Exhibit 7 also contains a letter of support from New Hanover Regional Medical Center expressing an interest in establishing a transfer agreement with SBC. Exhibit 8 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.

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In Section XI.4, page 56, the applicant states it proposes to construct 10,000 square feet of additional space for the proposed project. The applicant provides a letter from the construction company confirming that the projected construction cost is based on reasonable and supported assumptions. Exhibit 4 contains a line drawing of the proposed project. In Exhibit 22 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;

On page 40 the applicant provides the current payor mix for the existing PRTF beds, which is illustrated in the table below.

| Payor | Patient Days as % of Total |
|-----------------------------|-----------------------------------|
| Self Pay/ Indigent/ Charity | 3% |
| Medicaid | 87% |
| Commercial Insurance | 10% |
| Total | 100% |

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 Eligibles as % of Total Population | Total # of Medicaid Eligibles Age 21 and older as % of Total Population | % Uninsured CY 2009 (Estimate by Cecil G. Sheps Center) |
|---------------|---|--|--|
| Brunswick | 7.0% | 2.8% | 19.8% |
| New Hanover | 13.0% | 5.8% | 20.4% |
| Pender | 17.0% | 7.4% | 21.0% |
| LME | 10.5% | 4.5% | |
| State | 17% | 6.8% | 19.7% |

Moreover, the number of persons eligible for Medicaid assistance may differ from 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. With respect to the PRTF services provided by SBC, the Medicaid percentage is substantially higher than the percentage of Medicaid eligibles.

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 applicant's 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 applicant demonstrates that medically underserved populations currently have adequate access to services currently provided by SBC. 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 applicants;

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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 39, the applicant states:

“There are no public obligations SBH has under applicable Federal regulations or agreements to provide uncompensated care, community service, or access to care by medically underserved, minorities and handicapped persons.”

In Section VI.9, page 39, the applicant states that no civil rights equal access complaints or violations were filed against SBH 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

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In Section VI.12, page 40, 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.

| Payor | Projected Patient Days as % of Total |
|-----------------------------|--------------------------------------|
| Self Pay/ Indigent/ Charity | 3% |
| Medicaid | 87% |

| | |
|--------------|------|
| Managed Care | 10% |
| Total | 100% |

On page 40 the applicant states the projected payor mix is based on the actual payor mix of the existing PRTF beds.

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.

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In Section VI.8, page 39, the applicant states: “*SBC takes referrals for services from all providers, families and individuals.*” Exhibit 16 contains a list of all referral sources to the existing PRTF during 2011. The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to inpatient psychiatric 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 31, 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 31 the applicant states that SBC plans to expand the scope of these professional training programs. 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 32, 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 adolescents in Brunswick County. 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 serve 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.

C

According to the files in the Mental Health 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 facility. 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.

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 28 the applicant provides patient origin by percentage by county of residence. It states that these projections are based on the experience of its existing PRTF for 2011.
- (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- On page 30 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 30 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- On pages 13-15 the applicant describes the general treatment plan that is anticipated to be used by the facility and the support services to be provided. On page 8 the applicant states that it does not propose to admit patients with a dual diagnosis of psychiatric and chemical dependency problems.
- (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 Southeastern Center LME. Exhibit 7 contains letters of support from New Hanover Regional Medical Center and Brunswick Novant Medical Center. On page 20 the applicant provides a list of child and adolescent psychiatrists who have expressed interest in providing services to the psychiatric inpatients. Exhibit 16 contains a list of all of the referral sources for PRTF patients for 2011.

- (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 8 contains a contract for pharmacy services. Exhibit 15 contains an executed transfer agreement with Brunswick Novant Medical Center. Exhibit 7 contains a letter of support from New Hanover Regional Medical Center indicating its interest in executing a transfer agreement. Exhibit 7 also contains a letter from the current medical director expressing his willingness to continue to serve in this capacity.
- (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 pages 13-14.
- (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 14 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 page 14 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 14 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 14 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 15 the applicant describes the existing comprehensive services 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 15 the applicant states: *“SBC offers a Non-Public School on site for all patients. Students are placed in the regular school track unless special education services are being provided by their home school.”*
- (8) *provision of an aftercare plan; and*
- C- On page 15 the applicant describes its existing aftercare plan.
- (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- This project involves the expansion of an existing facility on a site owned by the applicant.
- (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 pages 15-16 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 9 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 30 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 30 and in supplemental information. See Criterion (3) for additional discussion.

.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 43 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 17.
- (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 18-20 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 10 contains a letter from Jeremy Revell, MD expressing his willingness to continue to serve as Medical Director and stating that he is board-certified in child and adolescent psychiatry.
- (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. Nevertheless, on page 20 the applicant states that there are two child and adolescent psychiatrists on the SBC medical staff (for the PRTF 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 10 contains a letter from Jeremy Revell, MD expressing his willingness to continue to serve as Medical Director and stating that he is board-certified in child and adolescent psychiatry.
- (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 9 contains a letter from the CEO of the SBC which states that the facility will accept involuntary admissions. On page 20 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 21-22 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 22-23 the applicant describes the availability of training or continuing education opportunities for the professional staff.

