

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: October 31, 2012
PROJECT ANALYST: Les Brown
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: P-10024-12 / Brynn Marr Hospital, Inc. and Universal Health Services, Inc. / Transfer 12 inpatient psychiatric beds from Broughton Hospital / Onslow County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants, Brynn Marr Hospital, Inc. (BMH) and Universal Health Services, Inc. (UHS), propose to relocate 12 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2012 State Medical Facilities Plan (SMFP). BMH currently operates 12 adult inpatient psychiatric beds, 30 child and adolescent inpatient psychiatric beds, 46 psychiatric residential treatment facility (PRTF) beds and 12 chemical dependency treatment beds in Jacksonville, in Onslow County. The applicants do 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.”* In supplemental information, the applicants provide a signed memorandum of agreement with the area Local Management Entity (LME) serving Onslow County and the Department of Health and Human Services. 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.”

In supplemental information the applicants provide a signed memorandum of agreement between the LME serving Onslow County, the Department of Health and Human Services and BMH.

The signed memorandum of agreement and the letters of support from three area LMEs in Exhibit 6 adequately document the following:

- The Local Management Entities (LMEs) have been contacted and invited to comment on the proposal.
- BMH 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 12 psychiatric beds at Broughton Hospital within 90 days following the transfer of the beds to BMH.
- BMH has committed to serve the type of short-term psychiatric patients normally placed at the state psychiatric hospitals.
- The supplemental information includes a written memorandum of agreement between the LME serving Onslow County, the Department of Health and Human Services and BMH.

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 applicants propose to add 12 child and adolescent inpatient psychiatric beds to the existing psychiatric facility by relocating 12 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2012 SMFP. BMH currently operates 12 adult inpatient psychiatric beds, 30 child and adolescent inpatient psychiatric beds, 46 psychiatric residential treatment facility (PRTF) beds and 12 chemical dependency treatment beds in Jacksonville, in Onslow County. The additional 12 child and adolescent inpatient psychiatric beds will be located in space currently occupied by the existing 46-bed PRTF. The applicants propose to de-license 12 of the 46 PRTF beds to accommodate the 12 additional child and adolescent inpatient psychiatric beds. Upon project completion, BMH would be licensed for a total of 12 adult inpatient psychiatric beds, 42 child and adolescent inpatient psychiatric beds, 34 PRTF beds and 12 chemical dependency treatment beds.

Population to be Served

In Section III.5, page 47, the applicants provide the projected patient origin for child and adolescent inpatient psychiatric services for the first two full fiscal years following project completion, as illustrated in the following table.

County	First Two Full Fiscal Years CY 2014 – 2015
Onslow	21.0%
Cumberland	7.9%
Wake	6.8%
Craven	6.5%
Pitt	4.9%
New Hanover	4.7%
Duplin	2.9%
Brunswick	2.8%
Scotland	2.8%
Carteret	2.6%
Lenoir	2.3%
Rowan	2.1%
Other*	32.7%
Total	100.0%

* Includes other NC counties identified on page 47.

In Section III.5, page 48, the applicants state that the projected child and adolescent inpatient psychiatric patient origin is based on the experience of the existing child and adolescent

inpatient psychiatric services at BMH. The applicants adequately identify the population proposed to be served.

Demonstration of Need

On pages 32-39, the applicants state:

“There are several qualitative and quantitative factors that support the need for the proposed project, including, but not limited to:

- *Access to Child/Adolescent Psychiatric Inpatient Beds*
- *High level of psychiatric utilization in Onslow County*
- *Onslow County’s large and growing child/adolescent population”*

Access to Child/Adolescent Psychiatric Inpatient Beds

On pages 35-36, the applicants state:

“Of the total 1,744 licensed psychiatric inpatient beds in North Carolina, only 17 percent (298/1,744) are categorized as child/adolescent beds. BMH is the only community-based provider of child/adolescent inpatient services in Onslow County and HSA VI.

Due to the limited supply of child/adolescent psychiatric inpatient beds in Onslow County, BMH is a lifeline for many patients and families in crisis. Additionally, because of the limited supply of child/adolescent beds in North Carolina, BMH has historically served patients from a broad catchment area. For example, 79 percent of BMH’s child/adolescent patients originate from counties outside BMH’s primary service area (Onslow County). Thus, BMH is a lifeline for more than Onslow County residents. BMH is a significant provider of behavioral health services for residents throughout eastern and central North Carolina.

...

Many patients awaiting admission to BMH’s child/adolescent inpatient psychiatric unit are held in hospital emergency departments. A small number of hospital emergency departments provide sitters and have mental health workers on call or on staff to check in on patients.

...

Finally, the proposed project will increase access to behavioral health services for the medically underserved. Many physicians refer their patients to BMH who are medically indigent. BMH’s child/adolescent services projects to serve 66.7 percent Medicaid patients upon completion of the proposed project.”

High level of psychiatric utilization in Onslow County

On pages 36-37, the applicants state:

“The CY08-CY12 four-year compound annual growth rate for BMH’s child/adolescent inpatient psychiatric admissions is 7.9 percent. Utilization has continued to increase, in part due to a decrease in the availability of community resources resulting from the recent economic crisis, as well as reduced capacity at State-operated psychiatric hospitals. Based on annualized CY2012 data, BMH’s child/adolescent inpatient psychiatric beds are projected to operate at 112.1 percent occupancy (12,271 / 365 / 30 beds = 112.1 percent).”

On page 40, the applicants provide the utilization of child and adolescent inpatient psychiatric beds at BMH for CY 2008 – CY 2012 (7 months annualized), as shown in the table below.

	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012*
Admissions	846	780	919	951	1,147
Patient Days	6,645	7,953	9,227	10,514	12,271
Average Daily Census**	18.2	21.8	25.3	28.8	33.6
Child & Adolescent Beds	30	30	30	30	30
Occupancy Rate	60.7%	72.6%	84.3%	96.0%	112.1%

* Annualized based on 7 months data, January – July.

** Calculated by Project Analyst

As shown in the table above, utilization (patient days) has increased at a compound annual growth rate (CAGR) of 16.6%. Furthermore, utilization in CY 2011 was 96% of capacity and is expected to exceed capacity in CY 2012.

Onslow County’s large and growing child/adolescent population

On page 38 the applicants provide the projected growth of the Onslow County population age 0-17 during 2012 – 2016, as shown in the table below.

Onslow County	2012	2013	2014	2015	2016
Population Age 0 - 17	49,153	51,362	53,597	55,796	57,933

Source: NC Office of State Budget and Management (NCOSBM)

On page 38 the applicants state:

“NCOSBM projects that 8,780 additional residents age 17 and younger will be added to the total Onslow County population from 2012 to 2016, or a compound annual growth rate of 4.2 percent. This growth rate is five times faster compared to residents age 17 and younger for the State as a whole.”

Projected Utilization

On pages 39-42, the applicants provide the projected utilization of child and adolescent inpatient psychiatric beds, and the assumptions and methodology used to project utilization, as follows:

Step 1: Review Historical Utilization at BMH

On page 40, the applicants provide utilization of the child and adolescent inpatient psychiatric beds at BMH for CY 2008 – CY 2012 (7 months annualized), as shown in the table below.

	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012*
Admissions	846	780	919	951	1,147
Average Length of Stay**	7.9	10.2	10.0	11.1	10.7
Patient Days	6,645	7,953	9,227	10,514	12,271
Average Daily Census**	18.2	21.8	25.3	28.8	33.6
Child & Adolescent Beds	30	30	30	30	30
Occupancy Rate**	60.7%	72.6%	84.3%	96.0%	112.1%

* Annualized based on 7 months data, January – July.
 ** Calculated by Project Analyst

Step 2: Project Utilization During Interim Project Years

On page 41, the applicants state that utilization during project development is projected to be the same as the annualized CY 2012 annualized utilization, as shown in the table below.

	CY 2013
Admissions	1,147
Average Length of Stay*	10.7
Patient Days	12,271
Average Daily Census*	33.6
Child & Adolescent Beds	30
Occupancy Rate*	112.1%

*Calculated by Project Analyst

Step 3: Project Utilization During Project Years

On pages 41-42, the applicants assume that admissions during the first three years of operation will increase at the same rate the Onslow County population age 0-17 is projected to increase (4.2%), as shown in the table below.

	CY 2014	CY 2015	CY 2016

Admissions	1,195	1,245	1,298
Annual % Increase in Admissions	4.2%	4.2%	4.2%
Average Length of Stay	10.7	10.7	10.7
Patient Days	12,786	13,322	13,881
Average Daily Census*	35.0	36.5	38.0
Child & Adolescent Beds	42	42	42
Occupancy Rate	83.4%	86.9%	90.5%

*Calculated by Project Analyst

Projected utilization is based on reasonable, credible and supported assumptions. The applicants demonstrate that utilization has increased 16.6% per year since CY 2008. The applicants assume utilization will increase at only 4.2% per year, which is the annual rate of growth of the Onslow County population age 0-17. Moreover, in Exhibit 6, the applicants provide letters from area LMEs documenting the need for additional child and adolescent inpatient psychiatric beds in Onslow County. Therefore, the applicants adequately demonstrate the need to transfer the 12 inpatient psychiatric beds.

In summary, the applicants adequately identify the population to be served and adequately demonstrate 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.

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In Section III, pages 44-45, the applicants discuss the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the status quo – The applicants did not choose this alternative because there is a growing need for child/adolescent inpatient psychiatric beds at BMH, which is currently operating at over 100% capacity.
- 2) Develop the child/adolescent inpatient psychiatric beds at a different location - The applicants did not choose this alternative because it would be “*cost prohibitive*” to purchase the land and construct a new facility.

- 3) Use more of the 42 total existing inpatient psychiatric beds for children and adolescents - The applicants did not choose this alternative because the total inpatient psychiatric beds (including adult beds) are currently utilized at over 100% capacity.

The applicants adequately demonstrate that the proposed alternative is the most effective or least costly alternative because the capital cost is less than new construction and the facility will use *“BMH’s existing staff and infrastructure to facilitate economies of scale.”*

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

In summary, the applicants adequately demonstrate that their proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

- 1. Brynn Marr Hospital, Inc. and Universal Health Services, Inc. shall materially comply with all representations made in the certificate of need application and in the supplemental information submitted during the review. In those instances where representations conflict, Brynn Marr Hospital, Inc. and Universal Health Services, Inc. shall materially comply with the last-made representation.**
 - 2. Brynn Marr Hospital, Inc. and Universal Health Services, Inc. shall relocate no more than 12 inpatient psychiatric beds from Broughton Hospital for a total licensed bed complement of no more than 42 child and adolescent inpatient psychiatric beds, 12 adult inpatient psychiatric beds, 34 psychiatric residential treatment facility beds and 12 chemical dependency treatment beds.**
 - 3. Brynn Marr Hospital, Inc. shall de-license 12 psychiatric residential treatment facility beds upon completion of this project.**
 - 4. Brynn Marr Hospital, Inc. and Universal Health Services, Inc shall accept patients requiring involuntary admission for inpatient psychiatric services.**
 - 5. Brynn Marr Hospital, Inc. and Universal Health Services, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial

feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

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In Section VIII.1, page 85, the applicants project the total capital cost of the project to be \$198,718 for renovation of the existing facility. In Section IX, page 90, the applicants project that there will be no working capital required for this project. In Section VIII.2, page 86, the applicants state that financing for the proposed project will be funded with accumulated reserves of UHS. Exhibit 17 contains a letter from the Chief Financial Officer of UHS, which states:

“I can and will commit UHS’s reserves to cover all of the capital costs associated with this project. The anticipated project costs are approximately \$200,000.”

Exhibit 18 contains the UHS 2011 Form 10-K Annual Report to the Securities and Exchange Commission, including the UHS Consolidated Balance Sheets. As of December 31, 2011, UHS had \$41,229,000 in cash and cash equivalents and \$7,665,245,000 in total assets. The applicants adequately demonstrate the availability of sufficient funds for the capital needs of the project.

In the Financials Section of the application, the applicants provide the projected revenues and expenses 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 applicants 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 applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues, and therefore, the application is conforming with this criterion.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

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Pursuant to Policy PSY-1 in the 2012 SMFP, the applicants propose to relocate 12 inpatient psychiatric beds from Broughton Hospital in Morganton in Burke County to Jacksonville in Onslow County. Upon completion of the proposed project, BMH will be licensed for 12 adult inpatient psychiatric beds, 42 child and adolescent inpatient psychiatric beds, 34 PRTF beds and 12 chemical dependency treatment beds.

The applicants’ discussion regarding the need for the 12 additional child and adolescent inpatient psychiatric beds to serve adolescents which is quoted in Criterion (3) is incorporated hereby by reference as if fully set forth herein.

On July 31, 2012, Strategic Behavioral Center (SBC) in Leland in Brunswick County was approved to relocate 20 inpatient psychiatric beds from Broughton Hospital, to be licensed as child and adolescent inpatient psychiatric beds (Project ID O-8774-12). Leland is located 58 miles from Jacksonville (one hour driving time). That project is projected to be completed on April 15, 2013. BMH and SBC are projected to serve patients from some of the same counties.

On page 42, the applicants state:

“BMH does not anticipate the SBC project will negatively impact BMH’s projected utilization. Specifically, SBC projects the majority of its projected inpatient admissions will originate from New Hanover (39.2%), Brunswick (15%) and Columbus (10.4%) counties (total 64.6%). Patients from these counties comprise less than 10 percent of BMH’s child/adolescent admissions. Thus, the SBC project will not impair BMH’s ability to continue to meet the behavioral health needs of its current or projected patient population.”

Given the minimal overlap in service area and the distance between the two facilities, the proposed expansion of BMH would not result in an unnecessary duplication of the approved SBC child and adolescent inpatient psychiatric beds.

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 116 miles away from Jacksonville (over 2 hours driving time).

The 2012 SMFP identifies a need for 74 additional child and adolescent inpatient psychiatric beds statewide. None were applied for. Many were available in the 2011 SMFP but were not applied for.

Therefore, the applicants adequately demonstrate 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 VII, page 76.

Position	Proposed FTEs*	Average Annual Salary
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Program Director	1,5	\$146,975
Psychiatrists**	3.0	
Psychiatric Social Workers	11.0	\$48,703
Registered Nurses	38.0	\$58,136
Licensed Practical Nurses	7.0	\$38,253
Nursing Assistants/Aides/Orderlies	85.0	\$25,451
Utilization Review	3.5	\$31,958
Clerical Support/ Unit Secretaries	5.0	\$21,042
School	3.0	\$43,738
Medical Records	2.5	\$26,769
Pharmacy	4.0	\$53,610
Dietary	7.0	\$27,332
Housekeeping / Laundry	6.0	\$26,894
Engineering / Maintenance	5.0	\$48,245
Administration	8.0	\$97,854
Business Office	6.0	\$41,452
Admissions	6.0	\$30,218
Human Resources	2.0	\$64,821
Activity Therapy	2.0	\$40,729
Total	202.5	

* FTE = Full-time equivalent

** Psychiatrists are not employees of BMH. Not included in total.

On page 77, the applicants describe the recruitment and retention policies and procedures of BMH. The applicants state that the BMH Human Resources Department keeps current industry salary information and works closely with clinical training programs as part of its recruitment and retention program. Exhibit 3 contains a copy of the medical director's curriculum vitae which states he is a board-certified psychiatrist and a signed letter stating that he will continue to serve as medical director. The applicants adequately demonstrate the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided. Therefore, the application is conforming with this criterion.

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

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On page 19, the applicants identify the necessary ancillary and support services that will be made available for the facility. On pages 29-30, the applicants state that there are 20 licensed psychiatrists who practice in Onslow County, nine of whom have a specialty in child and adolescent psychiatry. These psychiatrists are listed in Exhibit 7. On page 30, the applicants state that BMH has six psychiatrists with hospital staff privileges, two of whom specialize in child and adolescent psychiatry. Exhibit 6 contains letters of support from area physicians and other health care providers. Exhibit 8 contains a signed transfer agreement with Old Vineyard Behavioral Health Services in Winston-Salem and a letter to Onslow Memorial

Hospital proposing to develop a formal patient transfer agreement. The applicants adequately demonstrate that the necessary ancillary and support services will be made available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming with this criterion.

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

NA

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

NA

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NA

- (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 69, the applicants provide the payor mix during CY 2011 for the existing inpatient and residential psychiatric beds, which is illustrated in the table below.

Payor	Patient Days as % of Total		
	Psychiatric Residential Treatment Facility (PRTF) Beds	Inpatient Psychiatric Beds	Chemical Dependency Beds
Self Pay/ Indigent/ Charity	0.0%	0.1%	0.0%
Medicare	0.0%	12.7%	46.6%
Medicaid	78.0%	48.1%	0.0%
NC Health Choice	8.5%	4.3%	0.0%
TriCare	12.2%	20.9%	0.0%
Commercial/State Government	1.3%	13.9%	53.4%
Total	100.0%	100.0%	100.0%

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina, as shown in the following table. 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)
Onslow	11%	4.2%	23.4%
State	17%	6.8%	19.7%

The majority of Medicaid eligibles are children under the age of 21.

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. Moreover, with respect to the inpatient psychiatric services and PRTF services provided by BMH, the Medicaid percentages are 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 applicants' current payor mix would be of little value. The population data by age, race or gender do not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicants demonstrate that medically underserved populations currently have adequate access to services currently provided by BMH. 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 68, the applicants state:

“BMH has no public obligations 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 67, the applicants state that no civil rights complaints were filed against BMH 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, pages 70-72, the applicants provide the projected payor mix for the inpatient psychiatric beds and PRTF beds during the second year of operation following project completion, which is shown in the following table.

	Patient Days as % of Total
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Payor	Child/Adolescent Inpatient Psychiatric Beds	Adult Inpatient Psychiatric Beds	Psychiatric Residential Treatment Facility (PRTF) Beds
Self Pay/ Indigent/ Charity	0.0%	0.2%	0.0%
Medicare	0.0%	38.1%	0.0%
Medicaid	66.7%	11.0%	78.0%
NC Health Choice	6.4%	0.1%	8.5%
TriCare	15.7%	31.3%	12.2%
Commercial	10.7%	15.7%	1.3%
State Government (LMEs)	0.4%	3.6%	0.0%
Total	100.0%	100.0%	100.0%

On page 72 the applicants state the projected payor mix is based on the actual payor mix during CY 2011 for each of these services at BMH.

The applicants demonstrate that medically underserved populations would have adequate access to inpatient psychiatric services offered at BMH. 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 66, the applicants describe the range of means by which a person will have access to BMH’s services, including physician referral, hospital emergency departments, law enforcement agencies and other medical providers. The applicants adequately demonstrate 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 56, the applicants state that BMH currently has professional agreements for nursing students with the University of North Carolina – Wilmington, Craven Community College and Coastal Carolina Community College. Exhibit 15 contains a copy of the agreement with the University of North Carolina – Wilmington. Therefore, the applicants adequately demonstrate the facility accommodates the clinical needs of area health 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.

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The applicants propose to add 12 child and adolescent inpatient psychiatric beds to the existing psychiatric facility by relocating 12 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2012 SMFP.

BMH currently operates 30 child and adolescent inpatient psychiatric beds. BMH also operates 12 adult inpatient psychiatric beds, 46 psychiatric residential treatment facility (PRTF) beds and 12 chemical dependency treatment beds. BMH is the only provider of inpatient psychiatric services in the Onslow-Carteret LME.

In Section V, pages 59-60, the applicants discuss the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition in the service area include a positive impact on cost-effectiveness, quality and access to inpatient psychiatric services for children and adolescents in Onslow and surrounding counties. This determination is based on the information in the application (including the supplemental information), and the following analysis:

- ◆ The applicants adequately demonstrate the need to relocate 12 inpatient psychiatric beds from Broughton Hospital to serve children and adolescents, and that it is a cost-effective alternative;
- ◆ The applicants have and will continue to provide quality services; and
- ◆ The applicants have and will continue to provide adequate access to medically underserved populations.

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 Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on the 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 promulgated in 10A NCAC 14C .2600. 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 pages 47-48, the applicants provide patient origin by percentage by county of residence. They state that these projections are based on the experience of the existing child and adolescent inpatient psychiatric services provided at BMH.
- (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 pages 53-54, the applicants provide the projected utilization and the occupancy level for the existing and 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 in Section III.1, pages 39-42 and Section IV, pages 54-55. See Criterion (3) for additional discussion.

- (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.*
- C- On page 24, the applicants state that the 30-day readmission rate in CY 2011 was 1.1%.
- (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 13-19 and in Exhibit 9, the applicants describe the general treatment plan that is anticipated to be used by the facility and the support services to be provided, including patients with dual diagnoses.
- (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 6 contains letters of support from referring physicians, Onslow Memorial Hospital and the three LMEs serving patients from the BMH service area.
- (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- On page 24 the applicants state that BMH does not require any such contracts since it currently provides the services needed for its patients.
- (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 in Exhibits 5 and 9.
- (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 25 and in Exhibit 9, the applicants state that emergency services are provided on a 24-hour basis.
- (3) *client evaluation procedures, including preliminary evaluation and establishment of an individual treatment plan;*

- C- On pages 13-17 and in Exhibits 5 and 9, the applicants provide the 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 26 and in Exhibit 9, the applicants provide BMH's procedures for referral and follow-up of clients to necessary outside services.
 - (5) *procedures for involvement of family in counseling process;*
- C- On page 26 and in Exhibit 9, the applicants provide BMH's 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 26 and in Exhibit 9, the applicants describe 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 27, the applicants describe the educational components of the child and adolescent inpatient psychiatric services.
 - (8) *provision of an aftercare plan; and*
- C- In Exhibit 9, the applicants describe BMH's existing aftercare plan.
 - (9) *quality assurance/utilization review plan.*
- C- Exhibit 10 contains copies of BMH's performance improvement and utilization review plans.
 - (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 applicants.

- (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 28 and in Exhibit 12, the applicants state 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 14 contains a letter from the CEO of BMH 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.*
- C- On page 29, the applicants state that the average occupancy rate over the six months immediately preceding the submittal of the application of the total number of licensed psychiatric beds within the facility was 115.1%.
- (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 53, the applicants project that the occupancy rate of the total number of licensed child and adolescent inpatient psychiatric beds will be 86.9% during the fourth quarter of the second operating year following completion of the project. On page 54 the applicants project that the occupancy rate of the total number of licensed adult inpatient psychiatric beds will be 118.0% during the fourth quarter of the second operating year following completion of the

project. The applicants' assumptions and methodology used to project utilization of the psychiatric beds are provided on pages 39-42 and 54-55. 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 pages 76-79, the applicants provide a list of disciplines and a daily staffing pattern for the inpatient psychiatric beds.
- (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- In Exhibit 7, the applicants provides a list of licensed psychiatrists routinely providing care in BMH's primary service area, documenting the availability of psychiatrists specializing in the treatment of children or adolescents. Exhibit 3 contains a letter from Ashraf Mikhail, 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.*
- C- On page 30, the applicants state that BMH has six psychiatrists on the medical staff, two of whom specialize in the treatment of children and adolosecents.
- (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 3 contains a letter from Ashraf Mikhail, 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 14 contains a letter from the CEO of BMH which states that the facility will continue to accept involuntary admissions. On pages 74 and 76, the applicants provide the current and projected staffing to serve involuntary admissions.
- (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- In Exhibits 5 and 9, the applicants describe 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 page 31, the applicants state that training and continuing education opportunities will continue to be available for the professional staff. Exhibit 11 contains the training available and competencies required for professional staff. BMH provides CPR training for all patient care staff.

