



North Carolina Department of Health and Human Services  
Division of Health Service Regulation

Pat McCrory  
Governor

Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

Drexdal Pratt  
Division Director

**RESPONSE REQUIRED**

October 28, 2014

Mel Deaton  
1270 25<sup>th</sup> Street Place, SE  
Hickory, NC 28602

**Conditional Approval**

Project I.D. #: E-10289-14  
Facility: Alexander Youth Services  
Project Description: Develop a new 15 bed child/adolescent chemical dependency treatment (substance abuse) hospital  
County: Alexander  
FID #: 140190

Dear Mr. Deaton:

The Certificate of Need (CON) Section, Division of Health Service Regulation, Department of Health and Human Services has conditionally approved the above referenced certificate of need application. This decision was made after a review of the applications submitted for this cycle and after consideration of the Certificate of Need Law, G.S. 131E-175 et. seq. and regulations promulgated there under, the State Medical Facilities Plan, and other applicable information. Attached to this letter are the required findings made with respect to your application. The applicant shall not proceed with the construction, offering or development of this project until the certificate of need is issued. Further, the Department shall not issue the certificate of need until all applicable conditions of approval that can be satisfied before issuance of the certificate of need have been met pursuant to G.S. 131E-187(a). The conditions are as follows:

1. MBHS of North Carolina, LLC, and Alexander Hospital Investors, LLC 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, MBHS of North Carolina, LLC, and Alexander Hospital Investors, LLC shall materially comply with the last made representation.
2. MBHS of North Carolina, LLC, and Alexander Hospital Investors, LLC shall develop no more than one new inpatient child/adolescent chemical dependency treatment facility with a total licensed bed complement of no more than 15 inpatient child/adolescent chemical dependency treatment beds.



**Certificate of Need Section**

[www.ncdhhs.gov](http://www.ncdhhs.gov)

Telephone 919-855-3873 • Fax 919-733-8139

Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603

Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704

An Equal Opportunity/ Affirmative Action Employer



3. Prior to the issuance of the certificate of need, MBHS of North Carolina, LLC and Alexander Hospital Investors, LLC shall provide a letter addressed to Smoky Mountain Center 2 inviting the LME-MCO to comment on the proposal.
4. Prior to the issuance of the certificate of need, MBHS of North Carolina, LLC shall provide copies of the two most recent financial reports.
5. Prior to the issuance of the certificate of need, Alexander Hospital Investors, LLC shall provide documentation of the availability of funding for its portion of the projected capital costs (commercial loan of \$2,306,000).
6. Prior to the issuance of the certificate of need, MBHS of North Carolina, LLC and Alexander Hospital Investors, LLC shall provide documentation of the availability of funding for the projected working capital costs (\$722,141).
7. MBHS of North Carolina, LLC, and Alexander Hospital Investors, LLC 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.

**Response to the above conditions should be submitted to the CON Section no later than 35 days from the date of the decision. Failure to respond within this time period may result in the CON Section making a determination not to issue a certificate of need for the project referenced above.**

The conditional approval is valid only for a capital expenditure of **\$2,496,000**. If a cost overrun occurs that exceeds the approved capital expenditure amount, a new certificate of need may be required as determined by G.S. 131E-176(16)(e).

The applicant should be aware that according to the Certificate of Need Law any affected person shall have thirty (30) days after the date of decision to file a petition for a contested case on this approval. Further, if you are aggrieved by the conditions of the decision you may file a petition for a contested case hearing in accordance with G.S. 150B, Article 3, as amended. This petition must be filed with the Office of Administrative Hearings, 6714 Mail Service Center, Raleigh, North Carolina 27699-6714 within thirty (30) days of the date of this decision. [Note: Effective October 1, 2009, OAH requires a filing fee with submittal of petitions for contested cases. Please direct all questions regarding this fee to OAH Clerk's Office (919-431-3000).]

G.S. 150B-23 provides that a party filing a petition must also serve a copy of the petition on all parties to the petition. Therefore, if you file a petition for a contested case hearing, you must serve a copy of the petition on the Department of Health and Human Services by mailing a copy of your petition to:

Emery Milliken  
Department of Health and Human Services,  
Office of Legal Affairs,  
Adams Building – Room 154  
2001 Mail Service Center  
Raleigh, North Carolina, 27699-2001

It is requested that a copy of the petition also be served on the Certificate of Need Section.

The certificate of need will not be issued before the completion of this 30 day period ending **December 1, 2014**. If a contested case request is received within the thirty (30) day period, the certificate will not be issued until the appeal is resolved (10A NCAC 14C .0208).

The timetable for completion of the project is the timetable outlined in the certificate of need application, unless an adjustment has been made by the CON Section because the review period was extended. The timetable for this project is as follows:

|  |                   |
|--|-------------------|
| Final Drawings and Specifications sent to Construction, DHSR _____ | December 30, 2014 |
| Final Drawings Approved by Construction, DHSR _____                | March 1, 2014     |
| Obtained Funds for the Project _____                               | January 15, 2015  |
| Construction Contract Executed _____                               | January 15, 2015  |
| 25% Completion of Construction _____                               | June 1, 2015      |
| 50% Completion of Construction _____                               | August 1, 2015    |
| 75% Completion of Construction _____                               | October 1, 2015   |
| Ordering of Medical Equipment _____                                | September 1, 2015 |
| Completion of Construction _____                                   | December 10, 2015 |
| Operation of Medical Equipment _____                               | February 1, 2016  |
| Occupancy/Offering of Services _____                               | February 1, 2016  |
| Licensure of Facility _____  | March 1, 2016     |
| Certification of Facility _____                                    | March 1, 2016     |

If the decision is appealed, the timetable set forth in this letter will be adjusted accordingly before the Certificate of Need is issued. Please contact us if any clarification of this decision is required.

Please refer to the Project I.D. # and Facility I.D. # (FID) in all correspondence.

Sincerely,

Julie Halatek, Project Analyst

Martha J. Frisone, Interim Chief  
Certificate of Need Section

JH:MJF:ar

Attachment

cc: Acute and Home Care Licensure and Certification Section, DHSR  
Medical Facilities Planning Branch, DHSR  
Construction Section, DHSR

**CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing notice of **conditional approval** on the following person by placing a copy in an official depository of the United States Postal Service in a postage-paid, first class envelope addressed as follows:

Mel Deaton  
1270 25<sup>th</sup> Street Place, SE  
Hickory, NC 28602

Project I.D. #E-10289-14  
FID #140190

This the 28<sup>th</sup> day of October, 2014.

---

Julie Halatek, Project Analyst