

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: July 14, 2015
Findings Date: July 14, 2015

Project Analyst: Gloria C. Hale
Assistant Chief: Martha Frisone

Project ID #: G-11024-15
Facility: Old Vineyard Behavioral Health Services (OVBHS)
FID #: 923094
County: Forsyth
Applicants: Keystone WSNC, LLC
Universal Health Services, Inc.

Project: Relocate 60 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 for a total of 52 child/adolescent inpatient psychiatric beds, 104 adult inpatient psychiatric beds, and 8 child/adolescent inpatient substance abuse beds upon project completion

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.

CA

The applicants, Keystone WSNC, LLC and Universal Health Services, Inc. (Universal) propose to relocate 60 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2015 State Medical Facilities Plan (SMFP) to OVBHS. The applicants state that OVBHS currently operates 30 child/adolescent inpatient psychiatric beds, 66 adult inpatient psychiatric beds, and eight child/adolescent inpatient substance

abuse beds. Twenty-two of the proposed 60 beds will serve children/adolescents, ages 12 to 17, and 38 beds will serve adults, ages 18 and older. Upon project completion OVBHS will be licensed for a total of 52 child/adolescent inpatient psychiatric beds and 104 adult inpatient psychiatric beds. The 38 adult beds will be located in a newly constructed building adjacent to OVBHS' existing adult psychiatric services. The 22 child/adolescent beds will be located in an existing building on the OVBHS campus in space that will be vacated by 22 adult beds. The 22 adult beds will be relocated to the newly constructed building.

Need Determination

The applicants do not propose to develop new inpatient psychiatric beds. Therefore, there are no need determinations in the 2015 SMFP applicable to this review.

Policies

There are three policies in the 2015 SMFP which are applicable to the review of this application. The first of these, 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 beds shall document that the affected local management entity has been contacted and invited to comment on the proposed services.”

In Exhibit 22, the applicants provide a letter of support for the proposed project, dated March 3, 2015 from the Area Director/CEO for the CenterPoint Human Services Local Management Entity-Managed Care Organization (LME-MCO). Therefore, the application is conforming to Policy MH-1.

The second of these, Policy PSY-1: TRANSFER OF BEDS FROM STATE PSYCHIATRIC HOSPITALS TO COMMUNITY FACILITIES, states:

“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 North Carolina 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 people 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 the North Carolina Department of Health and Human Services, and the person submitting the proposal.”

In Exhibit 4, the applicants provide a signed memorandum of agreement dated March 13, 2015 between CenterPoint Human Services, the LME-MCO serving Forsyth, Stokes, Davie and Rockingham counties, the North Carolina Department of Health and Human Services, and OVBHS, which states:

“WHEREAS, the 2011 [2015] State Medical Facilities Plan authorizes the transfer of psychiatric inpatient beds from the State psychiatric hospitals to community-based facilities that are willing to care for residents who are normally placed in psychiatric beds at the State psychiatric hospitals.

WHEREAS, the 2012 [2015] State Medical Facilities Plan (SMFP) ‘Policy PSY-1: Transfer of Beds from State Psychiatric Hospitals to Community Facilities,’ requires that an application for a Certificate of Need (CON) to transfer psychiatric beds from a State psychiatric hospital to a community-based facility must include a written agreement between the area MH/DD/SA authority serving the county where the beds are to be located, the Secretary of Health and Human Services, and the person submitting the proposal,

NOW THEREFORE, the North Carolina Department of Health and Human Services, the Division of Mental Health, Developmental Disabilities and Substance Abuse Services, and Broughton Hospital (collectively referred to as the ‘Department’); CenterPoint Human Services (Referred to as CenterPoint MCO); and Old Vineyard Behavioral Health Services in Forsyth County, N.C. (referred to as Old Vineyard Behavioral Health Services), do hereby agree as follows:

- A. The Department agrees to transfer thirty-eight (38) adult psychiatric inpatient beds and twenty-two (22) child and adolescent psychiatric inpatient beds from Broughton Hospital to Old Vineyard Behavioral Health Services.*
- B. The Department agrees to close these sixty (60) psychiatric inpatient beds at Broughton Hospital within ninety (90) days following the date the transferred beds become operational in the community.*
- C. CenterPoint MCO and Old Vineyard Behavioral Health Services agree to comply with the requirements of Policy PSY 1: Transfer of*

Beds from State Psychiatric Hospitals to Community Facilities set forth in the 2011 [2015] State Medical Facilities Plan

- D. *All Parties agree that this MOA is for the expressed purpose of transferring beds from Broughton Hospital to Old Vineyard Behavioral Health Services and that such transfer does not include or imply the transfer of any monetary or other resources associated with these beds from the Department to support operation of such beds by Old Vineyard Behavioral Health Services in Forsyth County.*
- E. *As set forth in the agreement between CenterPoint MCO and Old Vineyard Behavioral Health Services, CenterPoint MCO and Old Vineyard Behavioral Health Services will be developing the criteria, process and procedures for CenterPoint MCO approving the admission of CenterPoint MCO residents to Old Vineyard Behavioral Health Services whose care will be reimbursed by CenterPoint MCO. CenterPoint MCO and Old Vineyard Behavioral Health Services also have agreed that CenterPoint MCO will be an active participant in discharge planning for CenterPoint MCO patients.”*

The signed memorandum of agreement in Exhibit 4 and the letter in Exhibit 22 adequately document the following:

- The Local Management Entity-Managed Care Organization (LME-MCO), CenterPoint Human Services, has provided a letter of support for the proposal.
- The Department of Health and Human Services has agreed to close 60 inpatient psychiatric beds at Broughton Hospital within 90 days following the transfer of the beds to Old Vineyard Behavioral Health Services.
- Old Vineyard Behavioral Health Services 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-MCO, the Department of Health and Human Services and Old Vineyard Behavioral Health Services.

The third policy in the 2015 SMFP that is applicable to the proposed project is Policy GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES, which states,

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation. In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

In Section XI.7(a-b), pages 117-119, the applicants describe plans for compliance with all applicable federal, state, and local requirements for energy efficiency and water conservation, including: using natural lighting when possible; controlling solar heat gain by using overhangs, natural buffers, and a selection of glazing systems; utilizing mechanical systems designed for maximum efficiency, including heating, cooling, water, sewer and irrigation, and low-flow faucets and toilets; and by utilizing energy-efficient lighting. The application is consistent with Policy GEN-4.

Conclusion

In summary, the application is consistent with Policy MH-1, Policy PSY-1, and Policy GEN-4. Therefore, the application is conforming to this criterion subject to Condition 4 in Criterion (4).

- (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.

OVBHS currently operates 30 child/adolescent inpatient psychiatric beds, 66 adult inpatient psychiatric beds, and eight child/adolescent inpatient substance abuse beds. The applicants propose to relocate 60 inpatient psychiatric beds from Broughton Hospital, pursuant to Policy PSY-1 in the 2015 State Medical Facilities Plan (SMFP), to OVBHS for a total of 52 child/adolescent inpatient psychiatric beds and 104 adult inpatient psychiatric beds upon project completion. Twenty-two of the proposed 60 beds will serve children/adolescents, ages 12 to 17, and 38 beds will serve adults, ages 18 and older. The 38 adult beds will be located in a newly constructed building adjacent to OVBHS' existing adult psychiatric services. The 22 child/adolescent beds will be located in existing facility space that will be vacated by 22 adult beds that will be relocated to the newly constructed building. The proposal includes the construction of a 43,269 square foot building adjacent to OVBHS' adult inpatient psychiatric service on the OVBHS campus. Ten thousand square feet of an existing building on OVBHS' campus, the Truman Building, will be renovated.

Population to be Served

On page 368, the 2015 SMFP defines the service area for inpatient psychiatric beds as *“the catchment area for the LME-MCO for mental health, developmental disabilities, and substance abuse services in which the bed is located.”* Thus, the service area for OVBHS consists of Davie, Forsyth, Rockingham and Stokes counties. Facilities may also serve residents of counties not included in the catchment area.

In Section III.5(a), page 65, the applicants provide projected patient origin by county of residence for the first two operating years of the proposed child/adolescent inpatient psychiatric services:

**Projected Patient Origin
Child/Adolescent Inpatient Psychiatric Services
CY2017 – CY2018**

| County | Child/Adolescent Inpatients |
|---------------|--|
| | % of Total |
| Wake | 10.6% |
| Forsyth | 5.5% |
| Guilford | 5.3% |
| Cabarrus | 5.1% |
| Davidson | 4.1% |
| Rowan | 3.8% |
| Union | 3.5% |
| Alamance | 3.4% |
| Rowan | 3.4% |
| Mecklenburg | 3.0% |
| Cumberland | 2.6% |
| Orange | 2.3% |
| Craven | 2.0% |
| Other* | 45.4% |
| Total | 100.0% |

*Other includes <2% patient origin each from many other counties in the state in addition to other states. See page 65 for complete list.

In Section III.5(a), page 66, the applicants provide projected patient origin by county of residence for the first two operating years of the proposed adult inpatient psychiatric services:

**Projected Patient Origin
Adult Inpatient Psychiatric Services
CY2017 – CY2018**

| County | Adult Inpatients % of Total |
|---------------|--|
| Forsyth | 17.2% |
| Guilford | 9.1% |
| Wake | 8.0% |
| Davidson | 6.4% |
| Cabarrus | 5.0% |
| Union | 3.6% |
| Rockingham | 3.4% |
| Rowan | 3.3% |
| Mecklenburg | 3.0% |
| Buncombe | 1.9% |
| Alamance | 1.7% |
| Durham | 1.6% |
| Davie | 1.5% |
| Edgecombe | 1.5% |
| Surry | 1.4% |
| Stokes | 1.2% |
| Cleveland | 1.2% |
| Yadkin | 1.0% |
| Other* | 27.9% |
| Total | 100.0% |

*Other includes <1% patient origin each from many other counties in the state in addition to other states. See page 66 for complete list.

In Section III.5(b), page 67, the applicants state,

“Projected patient origin is based on the historical patient origin for adult and adolescent inpatient psychiatric services at OVBHS. OVBHS does not anticipate a significant change in patient origin as a result of the proposed project.”

The applicants adequately identify the population to be served.

Analysis of Need

In Section III.1(a), pages 34-52, and Exhibits 21 and 22, the applicants describe the need for the proposed project. The applicants summarize this need, on page 34, as follows:

- *“High level of psychiatric utilization at OVBHS*
- *Wait-times and patient deflections at OVBHS*

- *North Carolina's large and growing population*
- *State psychiatric hospital admission delays in North Carolina*
- *Psychiatric patients in emergency departments*
- *North Carolina State Mental Health Initiative*
- *Wait-times in local emergency departments*
- *Federal Parity Laws and the Affordable Care Act*
- *Access to Child/Adolescent Inpatient Psychiatric Beds*
- *March 1 2015 DHHS Report to Joint Legislative Oversight Committee"*

These factors are briefly described below.

High Level of Psychiatric Utilization at OVBHS

The applicants state, on pages 35-36, that inpatient admissions for child/adolescent and adult psychiatric services have increased in recent years, attributing this, in part, to the recent economic crisis resulting in a decrease in community resources, and a reduction in available beds at state psychiatric hospitals. The applicants state that despite the addition of 50 beds in September 2011, OVBHS' had an occupancy rate of 99.9% in CY2014. The applicants provide OVBHS' historical utilization for CY2011-CY2014, on page 35, as follows:

| | CY2011 | CY2012 | CY2013 | CY2014 |
|--------------|---------------|---------------|---------------|---------------|
| Admissions | 2,571 | 3,901 | 4,050 | 4,034 |
| Discharges | 2,535 | 3,904 | 4,064 | 4,033 |
| Days of Care | 21,617 | 33,133 | 34,932 | 35,012 |
| ALOS | 8.4 | 8.5 | 8.6 | 8.7 |

The applicants' compound annual growth rate (CAGR) for CY2011-CY2014 was 16.2%.

Wait-times and Patient Deflections at OVBHS

The applicants state, on pages 36-37, that OVBHS has had to deny admissions to its inpatient services due to its lack of available beds. The applicants state that these "deflections" averaged 186 per month in CY2014, an annual total of 1,293 for children/adolescents and 943 for adults. They further state that similar numbers of "deflections" occurred in CY2013 and that this is "not an anomaly; rather it is an indication of the great demand for inpatient psychiatric services."

Growing Population in the State

On pages 37-38, the applicants provide tables illustrating population growth in its primary service area and statewide. Twenty-three percent of OVBHS' total inpatient psychiatric

admissions were from Forsyth and Guilford counties. The combined population of these counties is expected to increase by 30,130 persons from 2015 – 2019, for a CAGR of 0.8%, as illustrated below:

**Forsyth and Guilford Counties
 Projected Population**

| County | 2015 | 2016 | 2017 | 2018 | 2019 | 4-Year CAGR |
|---------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| Forsyth | 365,397 | 367,714 | 369,936 | 372,075 | 374,129 | 0.6% |
| Guilford | 518,113 | 523,465 | 528,813 | 534,161 | 539,511 | 1.0% |
| Total | 883,510 | 891,179 | 898,749 | 906,236 | 913,640 | 0.8% |

In addition, the applicants state that OVBHS receives referrals from a broad area and that in CY2014 it served patients from nearly every county in the state. The state’s population is projected to increase by 403,818 persons from CY2015-CY2019, for a CAGR of 1.0%, illustrated as follows:

**North Carolina
 Projected Population**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 4-Year CAGR |
|----------------|-------------|-------------|-------------|-------------|-------------|--------------------|
| North Carolina | 10,054,192 | 10,154,507 | 10,255,463 | 10,356,916 | 10,458,010 | 1.0% |

The applicants state, on page 38, that the increases in population expected in both the primary service area and statewide “*supports the need for expanded mental health service bed capacity...*”

State Psychiatric Hospital Admission Delays

The applicants state, on page 40, that a lack of available beds in state psychiatric hospitals has resulted in long wait times in hospital emergency departments for those beds. In state fiscal year 2001 there were 1,755 beds at the state’s psychiatric hospitals and in 2014 there were 808. In March 2014, there were 4,707 patients on waiting lists for state psychiatric hospital beds and the average wait time was four and a half days.

Psychiatric Patients in Emergency Departments

On page 42, the applicants state, “*The inability to access inpatient psychiatric care has caused patients needing such services to seek care in emergency departments or to go without treatment.*” This, in turn, results in long wait times to receive inpatient psychiatric care. An informal survey conducted by OVBHS in January 2015 found that adolescents waited up to eight days on average in emergency departments in one of the

counties from which it receives referrals. For adults, the average wait time was frequently one to two days in many counties.

State Mental Health Initiative

The North Carolina Department of Health and Human Services (DHHS) Crisis Solutions Initiative, announced by the Secretary of DHHS in November 2013, is designed to identify and implement best practices for crisis care, including the expansion of those that already exist and are working. The applicants state, on page 46, that the proposed addition of 60 inpatient psychiatric beds is consistent with this initiative since its occupancy rates for both child/adolescent and adult inpatient psychiatric beds continues to be high, remaining around 95% for the last three years for child/adolescent beds and at just over 90% for adult beds in CY2014.

The Affordable Care Act and Federal Parity Laws

The applicants state, on page 47, that the federal Affordable Care Act and federal parity laws, such as the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act, will expand mental health and substance abuse disorder benefits and prevent insurers from offering less favorable benefits for these disorders. As stated by the applicants, "*North Carolina has one of the strongest enrollment numbers for the Affordable Care Act online insurance marketplace.*" Therefore, the applicants project that demand for mental health services, including OVBHS' inpatient psychiatric beds, will increase.

Access to Child/Adolescent Inpatient Psychiatric Beds

According to the 2015 SMFP, there are a total of 339 currently licensed child/adolescent inpatient psychiatric beds located in 10 of the state's 100 counties. This equates to 16.8% of the total number of licensed inpatient psychiatric beds in the state. The applicants state, on page 49, that "*It is widely known, both to healthcare professionals and to the general public, that there is limited access to community-based child/adolescent inpatient psychiatric beds in North Carolina.*" Due to this limited supply, OVBHS has served patients from a broad area, including nearly every county. The applicants state, on page 51, that youth in need of mental health services who are unable to access services can experience homelessness, involvement with juvenile justice systems, and premature deaths. In addition, the applicants state that not only will its proposed project increase access to needed inpatient psychiatric services for youth, it will increase access for those who are medically underserved. On page 51, the applicants project to continue to serve 78.4% Medicaid patients upon project completion.

Report to Joint Legislative Oversight Committee

A report to a joint legislative oversight committee for improving mental health services, developmental disabilities, and substance abuse services, provided by DHHS on March 1, 2015, includes a strategy to address the lack of licensed child and adolescent inpatient psychiatric beds in facilities throughout the state. The applicants state, on page 52, that they support the strategy by proposing to add additional child/adolescent inpatient beds. In addition, they address the need identified in the report for a *full continuum of services and supports* by offering partial hospitalization, an intensive outpatient program, and by working with the referring physician upon discharge to coordinate after-care and obtain support in the community.

Projected Utilization

In Section III.1(b), pages 53 - 60, the applicants describe the methodology used to project utilization which is based on projected statewide population growth, a percentage of the average annual deflections OVBHS has experienced, and the application of admission growth rates. The applicants apply this methodology to project utilization for children/adolescents and for adults, separately, as described below.

Adolescents

Step One:

The applicants provide the historical inpatient utilization for adolescents for CY2012-CY2014, on page 53, illustrated below:

| | CY2012 | CY2013 | CY2014 |
|---------------------------------------|---------------|---------------|---------------|
| Admissions | 1,194 | 1,358 | 1,257 |
| Discharges | 1,055 | 1,065 | 1,097 |
| Days of Care | 10,324 | 10,522 | 10,544 |
| Average Length of Stay (ALOS) in days | 8.6 | 7.7 | 8.4 |
| # of Adolescent Beds | 30 | 30 | 30 |
| % Occupancy | 94.3% | 96.1% | 96.3% |

Step Two:

On page 55, the applicants apply a statewide population CAGR of one percent to project the number of admissions for the interim project years, CY2015 and CY2016, and state, *“This modest growth rate reflects OVBHS’s mission of being responsive to the local and statewide demand for inpatient psychiatric services.”* Projected inpatient utilization for adolescents for the interim project years, provided on page 56, is as follows:

| | CY2015 | CY2016 |
|----------------------|--------|--------|
| Admissions | 1,269 | 1,282 |
| Discharges | 1,108 | 1,119 |
| Days of Care | 10,648 | 10,754 |
| ALOS (days) | 8.4 | 8.4 |
| # of Adolescent Beds | 30 | 30 |
| % Occupancy | 97.2% | 98.2% |

Step Three:

On page 58, the applicants state that the number of deflections for adolescent inpatient psychiatric services at OVBHS exceeded the number of admissions in 2014 at 1,293 and 1,257, respectively. Due to the statewide need for psychiatric beds, the applicants state they do not expect the demand for their adolescent inpatient psychiatric beds to decrease in the near future. They state, *“At a minimum, OVBHS projects adolescent deflections will remain constant during the next four years.”* Therefore, the applicants calculate 50 percent of the average deflections for adolescent inpatient psychiatric services of CY2013-CY2014 and add the result to the number of admissions projected in CY2016 to project the number of admissions in CY2017. This is illustrated as follows:

CY2013 deflections = 1,243
 CY2014 deflections = 1,294

Total CY2013-CY2014 deflections = 2,527 [2,537]
 Average annual deflections = 2,527 [2,537]/2 = 1,264 [1,268]
 50 percent of the average annual deflections = 1,264 [1,268] x 0.5 = 632 [634]

CY2017 projected admissions = 1,282 (CY2016 admissions) + 632 [634] = 1,914 [1,916]

Step Four:

On page 58, the applicants state that an annual admission growth rate of 10 percent was applied for project year two, CY2018, and an annual admission growth rate of 5% was applied for project year three, CY2019. The applicants state, on page 58, that the application of these growth rates are reasonable and supported based on *“qualitative and quantitative factors”* described in Section III. In addition, they state, on pages 58-59,

“Based on its patient deflection data, OVBHS could double its adolescent bed capacity today and immediately fill the beds to capacity. However, OVBHS has

chosen to undertake a more conservative approach and project utilization based on a portion of historical patient referrals. OVBHS also projects a reasonable ramp up in adolescent occupancy during the initial three project years.”

Projected utilization of child/adolescent inpatient psychiatric beds for the first three years of the proposed project (CY2017-CY2019), provided on page 58, is as follows:

| | CY2017 | CY2018 | CY2019 |
|----------------------|---------------|---------------|---------------|
| Admissions | 1,914 [1,916] | 2,105 [2,108] | 2,210 [2,213] |
| Discharges | 1,670 | 1,837 | 1,929 |
| Days of Care | 16,053 | 17,658 | 18,541 |
| ALOS (days) | 8.4 | 8.4 | 8.4 |
| # of Adolescent Beds | 52 | 52 | 52 |
| % Occupancy | 84.6% | 93.0% | 97.7% |

It is noted that OVBHS’ license renewal applications (LRAs) for 2014 and 2015, for FY2013 and FY2014, respectively, indicate that the facility has a total of only 18 child/adolescent beds rather than 30. The proposed additional 22 child/adolescent beds would then total only 40 beds (18 + 22 = 40) rather than 52. The Project Analyst calculated occupancy rates for the first three years of the proposed project, CY2017-CY2019, based on days of care provided by the applicants assuming only 40 beds. This resulted in occupancy rates for CY2017, CY2018, and CY2019 of 110%, 121%, and 127%, respectively. However, the applicants state, in Section II.2, page 14 of the CON application, that OVBHS is operating 30 of its licensed beds for adolescents and that, when needed, particularly in the summer months when adolescent inpatient census is lower, as stated in Section III.1(b), pages 54-56, it uses available adolescent beds for adult patients.

Adults

Step One:

The applicants provide the historical inpatient utilization for adults for CY2012-CY2014, on page 54, as illustrated below:

| | CY2012 | CY2013 | CY2014 |
|-----------------|---------------|---------------|---------------|
| Admissions | 2,707 | 2,692 | 2,777 |
| Discharges | 2,849 | 2,999 | 2,936 |
| Days of Care | 22,809 | 24,410 | 24,468 |
| ALOS (days) | 8.4 | 9.1 | 8.8 |
| # of Adult Beds | 66 | 66 | 66 |
| % Occupancy | 94.7% | 101.3% | 101.6% |

Step Two:

On page 55, the applicants apply the statewide population CAGR of one percent to project the number of admissions for the interim project years CY2015 and CY2016. Projected inpatient utilization for adults for the interim project years, provided on page 56, is as follows:

| | CY2015 | CY2016 |
|-----------------|---------------|---------------|
| Admissions | 2,804 | 2,832 |
| Discharges | 2,965 | 2,994 |
| Days of Care | 24,710 | 24,955 |
| ALOS (days) | 8.8 | 8.8 |
| # of Adult Beds | 66 | 66 |
| % Occupancy | 102.6% | 102.6% |

The applicants state, on pages 55-56,

“...OVBHS has historically demonstrated its ability to consistently operate at or above its maximum capacity. Additionally, OVBHS is able to utilize a portion of its adolescent bed capacity to serve adults during summer months when adolescent census is typically lower.”

Step Three:

On page 59, the applicants state that OVBHS deflected 2,051 adult psychiatric inpatients in CY2013 and CY2014 combined and do not expect demand for adult inpatient psychiatric services to decrease in the near future. Therefore, the applicants calculate 60 percent of the average deflections for adult inpatient psychiatric services in CY2013-

CY2014 and add the result to the number of admissions projected in CY2016 to project the number of admissions in CY2017. This is illustrated as follows:

CY2013 deflections = 1,108

CY2014 deflections = 943

Total CY2013-CY2014 deflections = 2,051

Average annual deflections = $2,051/2 = 1,026$

60 percent of the average annual deflections = $1,026 \times 0.6 = 615$

CY2017 projected admissions = 2,832 (CY2016 admissions) + 615 = 3,447

Step Four:

On page 58, the applicants state that they applied an annual admissions growth rate of 10 percent for project year two (CY2018) and an annual admissions growth rate of 5% for project year three (CY2019). They state, on page 60,

“...based on its patient deflection data, OVBHS could immediately admit nearly 1,000 additional annual adult patients given sufficient bed capacity. However, OVBHS has chosen to undertake a more conservative approach and project utilization based on a portion of historical referrals. OVBHS also projects a reasonable ramp up in adult occupancy during the initial three project years.”

Projected utilization of adult inpatient psychiatric beds for the first three years of the proposed project (CY2017-CY2019), as provided on page 59, is as follows:

| | CY2017 | CY2018 | CY2019 |
|-----------------|---------------|---------------|---------------|
| Admissions | 3,448 | 3,792 | 3,982 |
| Discharges | 3,645 | 4,009 | 4,210 |
| Days of Care | 30,376 | 33,413 | 35,084 |
| ALOS (days) | 8.8 | 8.8 | 8.8 |
| # of Adult Beds | 104 | 104 | 104 |
| % Occupancy | 80.0% | 88.0% | 92.4% |

It is noted that in OVBHS' 2014 and 2015 LRAs, the facility reported 78 adult inpatient psychiatric beds rather than 66 as stated in the CON application. The applicants propose to add 38 adult inpatient psychiatric beds which would be a total 116 adult beds ($78 + 38 = 116$). Therefore, utilizing the applicants' projected days of care provided in the application and assuming 116 adult inpatient psychiatric beds, the Project Analyst

calculated occupancy rates for CY2017, CY2016, and CY2017 of 71.7%, 78.9% and 82.9%, respectively. However, the applicants state, in Section II.2, page 14, that OVBHS is operating 66 of its licensed beds as adult beds.

Combined Projected Utilization

The Project Analyst utilized the applicants’ projected admissions, days of care, and number of beds for child/adolescent and adult psychiatric inpatients for project years one through three (CY2017-CY2019) to calculate the projected occupancy rates for each of the first three project years, summarized as follows:

| Child/Adolescent and Adult Inpatients | CY2017 | CY2018 | CY2019 |
|--|---------------|---------------|---------------|
| Total Admissions | 5,362 | 5,897 | 6,192 |
| Days of Care | 46,429 | 51,071 | 53,625 |
| Total # of Beds | 156 | 156 | 156 |
| OVBHS % Occupancy | 81.5% | 89.7% | 94.2% |

Quarterly Projected Utilization, Project Years One and Two

In Section IV(c), page 71, the applicants provide quarterly projected utilization for child/adolescent inpatient psychiatric services for the first and second full fiscal years of the proposed project, as illustrated in the following tables:

**OVBHS Child/Adolescent Inpatient Psychiatric Services
 Project Year One, CY2017**

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| Admissions | 478 | 478 | 478 | 478 | 1,914 |
| Patient Days of Care | 4,013 | 4,013 | 4,013 | 4,013 | 16,053 |
| ALOS in days | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 |
| # Licensed Beds | 52 | 52 | 52 | 52 | 52 |
| % Occupancy | 84.6% | 84.6% | 84.6% | 84.6% | 84.6% |
| % Patients Discharged/ Readmitted at later date | | | | | 5.0% |

**OVBHS Child/Adolescent Inpatient Psychiatric Services
 Project Year Two, CY2018**

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| Admissions | 526 | 526 | 526 | 526 | 2,105 |
| Patient Days of Care | 4,415 | 4,415 | 4,415 | 4,415 | 17,658 |
| ALOS in days | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 |
| # Licensed Beds | 52 | 52 | 52 | 52 | 52 |
| % Occupancy | 93.1% | 93.1% | 93.1% | 93.1% | 93.1% |
| % Patients Discharged/ Readmitted at later date | | | | | 5.0% |

In Section IV(c), page 72, the applicants provide quarterly projected utilization for adult inpatient psychiatric services for the first and second full fiscal years of the proposed project, as illustrated in the following tables:

**OVBHS Adult Inpatient Psychiatric Services
 Project Year One, CY2017**

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| Admissions | 862 | 862 | 862 | 862 | 862 |
| Patient Days of Care | 7,594 | 7,594 | 7,594 | 7,594 | 30,376 |
| ALOS in days | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 |
| # Licensed Beds | 104 | 104 | 104 | 104 | 104 |
| % Occupancy | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% |
| % Patients Discharged/ Readmitted at later date | | | | | 5.0% |

**OVBHS Adult Inpatient Psychiatric Services
 Project Year Two, CY2018**

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| Admissions | 948 | 948 | 948 | 948 | 3,792 |
| Patient Days of Care | 8,353 | 8,353 | 8,353 | 8,353 | 33,413 |
| ALOS in days | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 |
| # Licensed Beds | 104 | 104 | 104 | 104 | 104 |
| % Occupancy | 88.0% | 88.0% | 88.0% | 88.0% | 88.0% |
| % Patients Discharged/ Readmitted at later date | | | | | 5.0% |

Quarterly Combined Projected Utilization, Project Years One and Two

The Project Analyst calculated OVBHS’ combined projected quarterly utilization for child/adolescent and adult inpatient psychiatric beds for the first and second years of project completion, CY2017-CY2018, illustrated in the following tables:

**Combined Quarterly OVBHS
 Child/Adolescent and Adult Inpatient Psychiatric Services
 Project Year One, CY2017**

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| Admissions | 1,340 | 1,340 | 1,340 | 1,340 | 5,360 |
| Patient Days of Care | 11,607 | 11,607 | 11,607 | 11,607 | 46,428 |
| ALOS in days | 8.6 | 8.6 | 8.6 | 8.6 | 8.6 |
| # Licensed Beds | 156 | 156 | 156 | 156 | 156 |
| % Occupancy | 81.5% | 81.5% | 81.5% | 81.5% | 81.5% |
| % Patients Discharged/ Readmitted at later date | | | | | 5.0% |

**Combined Quarterly OVBHS
 Child/Adolescent and Adult Inpatient Psychiatric Services
 Project Year Two, CY2018**

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| Admissions | 1,474 | 1,474 | 1,474 | 1,474 | 5,896 |
| Patient Days of Care | 12,768 | 12,768 | 12,768 | 12,768 | 51,072 |
| ALOS in days | 8.6 | 8.6 | 8.6 | 8.6 | 8.6 |
| # Licensed Beds | 156 | 156 | 156 | 156 | 156 |
| % Occupancy | 89.7% | 89.7% | 89.7% | 89.7% | 89.7% |
| % Patients Discharged/ Readmitted at later date | | | | | 5.0% |

As shown in the table above, in the fourth quarter of the second full fiscal year of operation (CY2018) (8th quarter of operation following completion of the project), occupancy for OVBHS' combined child/adolescent and adult inpatient psychiatric beds is projected to be 89.7%, which exceeds the 75% occupancy rate required by 10A NCAC 14C .2603(b). Furthermore, projected utilization is based on reasonable and adequately supported assumptions. Therefore, the applicants adequately demonstrate the need to relocate 60 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2015 SMFP.

In summary, the applicants adequately identified the population to be served and adequately demonstrated the need the population has for the proposed 60 inpatient psychiatric beds. Therefore, the application is conforming to 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

In Section III.3, pages 61-62, the applicants discuss the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo – The applicants state that this alternative is unacceptable, in part, because community-based treatment provides greater potential for reintegration in the community than regional, state operated facilities for persons with mental illness. In addition, the applicants state that based on the fact that it is operating at near capacity and it continues to have a great number of deflections, it is evident that more inpatient psychiatric beds are needed at OVBHS.
- 2) Choose a Different Location – The applicants state they considered an alternative location for the proposed 60 inpatient psychiatric beds. However, they determined they could achieve economies of scale by locating the 22 proposed child/adolescent beds in space that adult beds will be relocated from, enabling existing staff and infrastructure to be utilized. Choosing a different site would involve expensive land acquisition and would be less efficient in terms of operations. Therefore, this alternative was not considered to be the most effective alternative.
- 3) Designate more Adolescent Beds than Proposed – The applicants determined that although they considered using more than 22 of the 60 proposed beds for adolescent inpatient services, 22 beds fit into existing space and “*reduces the need for new construction for adolescent services.*” Therefore, this alternative would not be feasible. The current proposal would address the increasing demand for adolescent services and it would be cost effective.

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. **Keystone WSNC, LLC and Universal Health Services, Inc. shall materially comply with all representations made in the certificate of need application.**
2. **Keystone WSNC, LLC and Universal Health Services, Inc. shall relocate no more than 60 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 to Old Vineyard Behavioral Health Services for a total licensed bed complement of no more than 52 adolescent inpatient psychiatric beds and 104 adult inpatient psychiatric beds.**

3. **Keystone WSNC, LLC and Universal Health Services, Inc. shall accept patients requiring involuntary admission for adult inpatient psychiatric services at Old Vineyard Behavioral Health Services.**
 4. **Keystone WSNC, LLC and Universal Health Services, Inc. shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
 5. **Keystone WSNC, LLC and Universal Health Services, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.1(b), page 104, the applicants project the total capital cost of the project to be \$13,782,834, as shown in the following table:

| Item | Projected Cost |
|--|-----------------------|
| Construction Contract (including site costs) | \$11,322,560 |
| Fixed and Moveable Equipment | \$738,000 |
| Equipment and Furniture | \$430,000 |
| Landscaping | \$45,000 |
| Architect/Engineering/Consultant Fees | \$1,007,274 |
| Project Contingency | \$240,000 |
| Total | \$13,782,834 |

In Section VIII.2, page 105, the applicants state that financing for the proposed project in the amount of \$13,782,834 will be funded from Universal Health Services' (UHS) revolving credit agreement. Exhibit 17 includes a letter from the Vice President and Treasurer at UHS, dated March 10, 2015, which states:

“Universal Health Services, Inc. (‘UHS’) is the ultimate parent company of the applicant entity, Keystone WSNC LLC d/b/a Old Vineyard Behavioral Health Services.

...

The estimated total fixed capital cost of the Old Vineyard project may be approximately \$13,782,834.

UHS intends to fund the project from its Revolving Credit Agreement.

...

For verification of our ability to finance projects internally, please refer to the Debt Footnote in the UHS 2014 Audited Financial Statements, which shows available borrowing capacity of \$640 million under our Revolver [sic] Credit Agreement.

...

In addition, UHS reserves the right to fund all or a portion of this project from bond or other credit instrument proceeds.”

In Section IX.1, page 108, the applicants state that there will be no start-up or initial operating expenses since OVBHS is an operational inpatient psychiatric hospital.

Exhibit 18 contains an audited financial statement for UHS for CY2014, January 1, 2014 – December 31, 2014. UHS had total current assets of \$1,615,138,000 and total current liabilities of \$1,182,827,000. Total net assets were \$432,311,000 (total assets minus total liabilities). The applicants had cash and cash equivalents of \$32,069,000. The applicants adequately demonstrate the availability of sufficient funds for the capital needs of the project.

The applicants provide pro forma financial statements for the first three operating years of the proposed project. The applicants project that revenues will exceed operating expenses in all three operating years, illustrated as follows:

| OVBS | Project Year 1 1/01/2017 – 12/31/2017 | Project Year 2 1/01/2018 – 12/31/2018 | Project Year 3 1/01/2019 – 12/31/2019 |
|---|--|--|--|
| Projected # of days | 46,429 | 51,071 | 53,625 |
| Projected Average Charge (Gross Patient Revenue / Projected # of days) | \$1,530 | \$1,576 | \$1,623 |
| Gross Patient Revenue | \$71,027,649 | \$80,474,327 | \$87,032,984 |
| Deductions from Gross Patient Revenue | \$39,649,886 | \$45,262,888 | \$49,319,054 |
| Net Patient Revenue | \$31,405,910 | \$35,240,430 | \$37,743,791 |
| Total Expenses | \$21,466,750 | \$24,370,628 | \$25,142,282 |
| Net Income (Loss) | \$9,939,160 | \$10,869,802 | \$12,601,509 |

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. All assumptions for the pro formas are provided in Section X.2, page 112, and in the pro formas. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, the application is conforming to this criterion.

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

C

On page 368, the 2015 SMFP defines the service area for inpatient psychiatric beds as *“the catchment area for the LME-MCO for mental health, developmental disabilities, and substance abuse services in which the bed is located.”* Thus, the service area for OVBHS consists of Davie, Forsyth, Rockingham and Stokes counties. Facilities may also serve residents of counties not included in the catchment area.

Pursuant to Policy PSY-1 in the 2015 SMFP, the applicants propose to relocate 60 inpatient psychiatric beds from Broughton Hospital. Upon completion of the proposed project, OVBHS would be licensed for an additional 38 adult inpatient psychiatric beds and an additional 22 child/adolescent inpatient psychiatric beds, for a facility total of 104 adult and 52 child/adolescent inpatient psychiatric beds.

The 2015 SMFP indicates that there are three other licensed mental health hospitals in the CenterPoint Human Services LME-MCO service area. They are: Novant Health Forsyth Medical Center and North Carolina Baptist Hospital in Forsyth County, and Pioneer Community Hospital of Stokes in Stokes County. According to the 2015 SMFP, Novant Health Forsyth Medical Center is currently licensed for 80 adult inpatient psychiatric beds

and has no child/adolescent beds, North Carolina Baptist Hospital is currently licensed for 24 adult and 20 child/adolescent inpatient psychiatric beds, and Pioneer Community Hospital of Stokes is currently licensed for six adult inpatient psychiatric beds and has no child/adolescent beds. The following table provides data from the 2015 SMFP and from the 2014 LRAs for each of these hospitals in the CenterPoint Human Services LME-MCO service area as follows:

**Licensed Beds in CenterPoint Human Services LME-MCO Service Area
 FY2013 (October 1, 2012 – September 30, 2013)**

| Hospital | County | Licensed Child/Adol. Inpatient Psychiatric Beds | Licensed Adult Inpatient Psychiatric Beds | Licensed, Total Staffed Inpatient Psychiatric Beds |
|---|---------------|--|--|---|
| Novant Health Forsyth Medical Center | Forsyth | 0 | 80 | 51 |
| North Carolina Baptist Hospital | Forsyth | 20 | 24 | 28 |
| Old Vineyard Youth Services* | Forsyth | 18** | 78** | 96 |
| Pioneer Community Hospital of Stokes*** | Stokes | 0 | 6 | 6 |
| Total | | 38 | 188 | 181 |

*Old Vineyard Youth Services is also commonly referred to as Old Vineyard Behavioral Health Services.

**The applicants state, in Section III.1(b), pages 54-56, that OVBHS “swings” its beds from adolescent to adult beds, to accommodate need.

***Pioneer Community Hospital of Stokes’ psychiatric beds were licensed on October 3, 2013, therefore their utilization for FY2013 is not reflected in the table above.

As depicted in the table above, there are 38 licensed child/adolescent inpatient psychiatric beds and 188 licensed adult inpatient psychiatric beds in the CenterPoint Human Services LME-MCO service area. However, the 2014 LRAs for both Novant Health Forsyth Medical Center (NHFMC) and North Carolina Baptist Hospital (NCBH) indicate that only some of their licensed inpatient psychiatric beds are staffed. NHFMC staffed only 51 of its 80 inpatient psychiatric beds and NCBH staffed only 28 of their 44 inpatient psychiatric beds. The LRAs only show the total number of staffed beds. Therefore, it appears that both NHFMC and NCBH have additional capacity for inpatient psychiatric patients in the CenterPoint Human Services LME-MCO service area, however, only a

portion of the licensed beds are being staffed. Letters of support were received for the proposed project by the Agency from both NHFMC and NCBH.

The 2015 SMFP indicates that there are surpluses of 22 child/adolescent inpatient psychiatric beds and 95 adult inpatient psychiatric beds in the CenterPoint Human Services LME-MCO service area. However, the applicants adequately demonstrate the need for 60 inpatient psychiatric beds at OVBHS. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicants adequately demonstrate that the proposed project will not result in unnecessary duplication of existing or approved inpatient psychiatric beds. Consequently, the application is conforming to this criterion.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

The following table illustrates the current and proposed staffing for OVBHS' child/adolescent inpatient psychiatric services, as shown in Section VII.2, pages 91 and 94, respectively:

**OVBHS Current and Proposed Child/Adolescent Inpatient
 Psychiatric Services Staffing**

| Position | Current FTEs | Proposed Additional FTEs | Total FTEs |
|--|--------------|--------------------------|-------------|
| Designated Director | 1.0 | 1.4 | 2.4 |
| Psychiatrists | Contracted | 1.0 | 1.0 |
| Psychiatric Social Workers | 3.0 | 2.0 | 5.0 |
| Psychiatric Registered Nurses | 9.9 | 8.4 | 18.3 |
| Certified alcoholism, drug abuse or substance abuse counselors | 0.0 | 0.0 | 0.0 |
| Utilization Review | 1.2 | 0.7 | 1.9 |
| Nursing Assistants/ Aides/ Orderlies | 15.4 | 11.2 | 26.6 |
| Clerical Support/ Unit Secretaries | 1.3 | 0.9 | 2.2 |
| Medical Records | 0.9 | 0.3 | 1.2 |
| Dietary | 2.0 | 0.8 | 2.8 |
| Housekeeping & Laundry | 1.0 | 0.7 | 1.7 |
| Engineering/ Maintenance | 1.2 | 0.3 | 1.5 |
| Administration | 0.3 | 0.0 | 0.3 |
| Finance/ Business Office | 1.5 | 0.5 | 2.0 |
| Other (Admissions/ Intake) | 4.1 | 1.3 | 5.4 |
| Other (Human Resources) | 0.5 | 0.3 | 0.8 |
| Other (Purchasing) | 0.2 | 0.1 | 0.3 |
| Other (Activity Therapy) | 1.0 | 0.7 | 1.7 |
| Total | 44.5 | 30.6 | 75.1 |

The following table illustrates the current and proposed staffing for OVBHS’ adult inpatient psychiatric services, as shown in Section VII.2, pages 90 and 93, respectively:

**OVBHS Current and Proposed Adult Inpatient
 Psychiatric Services Staffing**

| Position | Current FTEs | Proposed Additional FTEs | Total FTEs |
|---|--------------|--------------------------------|--------------|
| Designated Director | 2.0 | 2.6 | 4.6 |
| Psychiatrists | 2.0* | 2.0 | 4.0 |
| Psychiatric Social Workers | 6.8 | 2.0 | 8.8 |
| Psychiatric Registered Nurses | 24.5 | 8.4 | 32.9 |
| Certified alcoholism, drug abuse or substance abuse counselors | 1.0 | 1.0 | 2.0 |
| Utilization Review | 3.0 | 1.3 | 4.3 |
| Nursing Assistants/ Aides/ Orderlies | 34.6 | 8.4 | 43.0 |
| Clerical Support/ Unit Secretaries | 3.0 | 1.4 | 4.4 |
| Medical Records | 2.1 | 0.7 | 2.8 |
| Dietary | 4.8 | 1.3 | 6.1 |
| Housekeeping & Laundry | 2.4 | 1.3 | 3.7 |
| Engineering/ Maintenance | 2.8 | 0.7 | 3.5 |
| Administration | 0.7 | 0.0 | 0.7 |
| Finance/ Business Office | 4.8 | 1.0 | 5.8 |
| Other (Admissions/ Intake) | 9.9 | 2.3 | 12.2 |
| Other (Human Resources) | 1.2 | 0.7 | 1.9 |
| Other (Purchasing) | 0.3 | 0.2 | 0.5 |
| Other (Activity Therapy) | 2.5 | 1.3 | 3.8 |
| Total | 108.4 | 36.6 | 145.0 |

*Additional psychiatrists provide professional services at OVBHS under contract and are not included in the current FTE total.

The applicants propose to employ 67.2 additional FTEs for OVBHS’ combined, proposed additional child/adolescent and adult inpatient psychiatric beds at the completion of the proposed project. In Section VII.3, pages 95-96, the applicants state that they do not expect to have any difficulties in recruiting and retaining staff and, in fact, regularly receive many applications for positions at the hospital. In addition, they state that OVBHS will use its current strategy for recruiting staff, including, but not limited to, local newspaper and internet advertising, its human resources department resume database, and its contacts with clinical training programs.

In Section VII.8, page 102, the applicants state that Dr. Rajakumar Thotakura, who is board-certified in psychiatry and child and adolescent psychiatry by the American Board of Psychiatry and Neurology, will continue to serve as Medical Director of OVBHS. In Exhibit 13, the applicants provide a copy of a letter signed by Dr. Thotakura, dated February 18, 2015, indicating his willingness to continue to serve in this capacity. A copy of his curriculum vitae is also included in Exhibit 13.

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 to this criterion.

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

C

In Section II.3, pages 17-18, the applicants describe the support services that will be provided by OVBHS, including coordination with each child/adolescent's school. In Section II.9, pages 21-22, the applicants list each ancillary and support service provided and who will provide each service. In Sections V.2, V.3, and V.4, pages 74-75, the applicants discuss how the proposed services will be coordinated with the existing health care system. Referrals to OVBHS continue to be expected from existing referring physicians. In addition, the applicants state that OVBHS has a current transfer agreement with Wake Forest University Baptist Medical Center as provided in Exhibit 8, and state that OVBHS has contracts in place with seven LME-MCOs. Lastly, the applicants state that OVBHS has established relationships with various healthcare providers in the region, including, but not limited to, hospitals and their emergency departments, community mental health clinics, local physicians, and nursing homes. Letters of support from referring physicians, hospitals, LME-MCOs, and several providers of mental health services are included in Exhibit 22. 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 to this criterion.

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

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

C

In this application, Keystone WSNC, LLC and Universal Health Services, Inc. d/b/a Old Vineyard Behavioral Health Services (OVBHS) propose to relocate 60 inpatient psychiatric beds from Broughton Hospital, pursuant to Policy PSY-1 in the 2015 SMFP, to OVBHS. Twenty-two of the proposed 60 beds will serve children/adolescents, ages 12 to 17, and 38 beds will serve adults, ages 18 and above. The OVBHS campus is located at 3637 Old Vineyard Road in Winston-Salem, Forsyth County. The applicants propose to locate the proposed 38 adult beds in a newly constructed building on the campus, adjacent to OVBHS' existing adult psychiatric services. The proposed 22 child/adolescent beds will be located in the existing Truman Building, in space that will be vacated by 22 adult beds. The 22 adult beds will be relocated to the newly constructed building. Therefore, the newly constructed building will house 60 adult inpatient psychiatric beds and will be 43,269 square feet. Ten thousand square feet of space in the Truman Building, that will be used to house the 22 child/adolescent inpatient psychiatric beds, will be renovated.

Exhibit 19 contains a letter from Stengel-Hill Architecture certifying that the total capital costs are estimated to be \$13.8 million. The letter states,

“This letter is to certify that I have reviewed the Project Costs for the referenced Project. Based upon my review and comparison of this Project with similar projects, I believe the costs indicated are a reasonable estimate of the Project Costs to be expected on a Project of the scope defined.

The anticipated costs for new free-standing Inpatient Psychiatric Hospital Old Vineyard Behavioral Health Services are \$11.5M construction cost with a total project cost estimated to be \$13.8M.”

The architectural firm’s estimate of the total capital cost of the project is consistent with the total capital cost of \$13,782,834 stated by the applicants in Section VIII, page 104. In Section XI.7, pages 117-119, the applicants discuss the guidelines and methods their experienced architects and engineers will use to address energy efficiency and water conservation. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative for the project they propose, and that the construction costs will not unduly increase costs and charges for health services. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. Therefore, the application is conforming to this criterion.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
 - (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section VI.11, page 86, the applicants provide the payor mix for OVBHS’ licensed child/adolescent and adult inpatient psychiatric beds during CY2014, as illustrated in the table below:

**OVBHS Payor Mix
 CY2014**

| Payor Category | Licensed Child/Adolescent Inpatient Psychiatric Beds | Licensed Adult Inpatient Psychiatric Beds |
|------------------------------------|---|--|
| Self-Pay/ Indigent/ Charity | 0.0% | 1.7% |
| Medicare/ Medicare Managed Care | 0.0% | 37.6% |
| Medicaid | 78.4% | 26.1% |
| Commercial Insurance/ Managed Care | 21.6% | 34.6% |
| Total | 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, was not available.

| County | Total # of Medicaid Eligibles as % of Total Population June 2010 | Total # of Medicaid Eligibles Age 20 and under as % of Total Population June 2010 | Total # of Medicaid Eligibles Age 21 and older as % of Total Population June 2010 | % Uninsured CY 2008-2009 (Estimate by Cecil G. Sheps Center) |
|---------------|---|--|--|---|
| Forsyth | 16.1% | 10.4% | 5.7% | 19.5% |
| Guilford | 15.3% | 9.5% | 5.9% | 19.5% |
| Wake | 9.8% | 6.5% | 3.3% | 18.4% |
| Statewide | 16.5% | 9.8% | 6.7% | 19.7% |

The majority of Medicaid eligibles are children under the age of 21. OVBHS serves both children/adolescents and adults.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of those eligible persons aged 20 and under who actually received services was 48.6% and for those aged 21 and older, it was 31.6%. Likewise, the percentages for Forsyth County were 50.4% and 30.8%; for Guilford County, 54.5% and 30.2%; and for Wake County, 50.9% and 33.6%, respectively. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. A direct comparison to the applicant's current payor mix cannot be made, however, since the population data by age, race or gender does not include information on the number of elderly, minorities, handicapped persons or women utilizing health services.

OVBHS provides 78.4% of its child/adolescent psychiatric inpatient services to Medicaid recipients and 63.7% of its adult psychiatric inpatient services to

Medicaid and Medicare/Medicare Managed Care recipients. The applicants demonstrate that medically underserved populations currently have adequate access to services available at OVBHS. Therefore, the application is conforming to 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;

C

In Section VI.10, page 85, the applicants state,

“OVBHS is a recipient of federal funds, and is compliant with all applicable federal regulations to insure continued access to these funds. OVBHS does not discriminate based on race, color, religion, sex, national origin, age, handicap, or ability to pay. OVBHS will continue to provide charity care and other services to the community as previously described...”

...

OVBHS provides many community benefits as a corporate citizen. Included in the community benefits is provision of healthcare services without receiving reimbursement for services. ...OVBHS has procedures in place to assist patients who are facing difficulty in paying for healthcare services, due to an absence of medical insurance coverage, or due to medical coverage which provides only minimal benefits.”

In Section VI.9, page 85, the applicants state that they have not had any civil rights access complaints against them in the last five years.

The application is conforming to this criterion.

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

C

In Section VI.2, pages 78-79, the applicants state,

“...OVBHS will continue to provide all services (as clinically appropriate, per physician order) to all patients regardless of race, color, religion, sex, national origin, age, handicap, or any other factor that would classify a patient as underserved.

...

In particular, low income and medically underinsured persons will continue to have access to all services provided by OVBHS.

...

Please see Exhibit 3, page 12 for the Corporate Policy on Discrimination.”

In Section VI.12, pages 87-88, the applicants provide the projected payor mix for OVBHS during the second full fiscal year, CY2018, as illustrated below,

**OVBHS Projected Payor Mix
Second Full Fiscal Year (1/1/2018 – 12/31/2018)**

| Payor Category | Licensed Child/Adolescent Inpatient Psychiatric Beds | Licensed Adult Inpatient Psychiatric Beds |
|------------------------------------|---|--|
| Self-Pay/ Indigent/ Charity | 0.0% | 1.7% |
| Medicare/ Medicare Managed Care | 0.0% | 37.6% |
| Medicaid | 78.4% | 26.1% |
| Commercial Insurance/ Managed Care | 21.6% | 34.6% |
| Total | 100.0% | 100.0% |

The applicants state, on page 88,

“Because it already offers these services in the primary service area, OVBHS projects the payor mix for adult and adolescent inpatient psychiatric beds to be similar to the 2014 OVBHS payor mix for each service.”

The applicants demonstrate that medically underserved populations would have adequate access to the proposed child/adolescent and adult inpatient psychiatric beds.

- (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 84, the applicants state that services at OVBHS are accessed by physician referral, law enforcement, by another medical provider, or by self-referral. The applicants state that many patients present via hospital emergency departments. All prospective patients must meet OVBHS' admission criteria, and then, are given a clinical assessment. Exhibit 6 contains OVBHS' Acute Care Admission Policy and Exhibit 7 contains OVBHS' Plan for the Provision of Care. Exhibit 14 provides documentation that OVBHS will continue to accept involuntary patient admissions.

The applicants adequately demonstrate that the facility will offer a range of means by which patients will have access to child/adolescent and adult inpatient psychiatric services. Therefore, the application is conforming to 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 73, the applicants state that they will continue to provide training at OVBHS to accommodate the health professional training needs of several programs in the area. A list of educational institutions with which OVBHS has clinical training agreements is provided on page 73. Exhibit 12 contains a copy of an existing clinical training agreement with UNC-Chapel Hill School of Social Work as one example. The applicants adequately demonstrate that OVBHS will continue to accommodate the clinical needs of health professional training programs in the area. The application is conforming to 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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On page 368, the 2015 SMFP defines the service area for inpatient psychiatric beds as “*the catchment area for the LME-MCO for mental health, developmental disabilities, and substance abuse services in which the bed is located.*” Thus, the service area for OVBHS consists of Davie, Forsyth, Rockingham and Stokes counties. Facilities may also serve residents of counties not included in the catchment area.

The applicants propose to relocate 60 inpatient psychiatric beds from Broughton Hospital to OVBHS. Twenty-two of the 60 beds will be child/adolescent inpatient psychiatric beds and 38 will be adult inpatient psychiatric beds for a facility total of 52 child/adolescent inpatient psychiatric beds and 104 adult inpatient psychiatric beds. OVBHS is located in Forsyth County which is in the CenterPoint Human Services LME-MCO service area consisting of Forsyth, Stokes, Davie, and Rockingham counties. There are currently four facilities providing inpatient psychiatric services in the CenterPoint Human Services LME-MCO service area for a total of 226 certified inpatient psychiatric beds. There is no need determination in the 2015 SMFP for any additional inpatient psychiatric beds in this LME-MCO. However, OVBHS has applied to transfer inpatient psychiatric beds from a state facility pursuant to the 2015 SMFP Policy PSY-1: TRANSFER OF BEDS FROM STATE PSYCHIATRIC HOSPITALS TO COMMUNITY FACILITIES. The following table summarizes data from the 2015 SMFP for the inpatient psychiatric facilities in the CenterPoint Human Services LME-MCO planning area with one exception. The column entitled, Licensed Total Staffed Inpatient Psychiatric Beds, contains data from the facilities’ 2014 LRAs.

**Licensed Inpatient Psychiatric Facilities
 CenterPoint Human Services LME-MCO Service Area**

| Facility | County | Licensed Child/Adolescent Inpatient Psychiatric Beds | Licensed Adult Inpatient Psychiatric Beds | Total All Inpatient Psychiatric Beds | Licensed Total Staffed Inpatient Psychiatric Beds |
|--------------------------------------|---------------|---|--|---|--|
| OVBHS | Forsyth | 18 | 78 | 96 | 96 |
| Novant Health Forsyth Medical Center | Forsyth | 0 | 80 | 80 | 51 |
| North Carolina Baptist Hospital | Forsyth | 20 | 24 | 44 | 28 |
| Pioneer Community Hospital of Stokes | Stokes | 0 | 6 | 6 | 6 |
| Total | | 38 | 188 | 226 | 181 |

As illustrated in the table above, there are 38 child/adolescent inpatient psychiatric beds and 188 adult inpatient psychiatric beds, excluding beds in state hospitals, for a total of 226 inpatient psychiatric beds in the CenterPoint Human Services LME-MCO service area. However, according to the 2014 LRAs for two of the above listed facilities, namely, Novant Health Forsyth Medical Center and North Carolina Baptist Hospital, only a portion of their licensed inpatient psychiatric beds are staffed. Therefore, only 181 inpatient psychiatric beds are actually available in the CenterPoint Human Services LME-MCO.

Section V.6(a)(b), pages 76-77, the applicants discuss how any enhanced competition will have a positive impact on cost-effectiveness, quality and access to the proposed services. In addition, see Section III.3, page 62, for further discussion on the cost-effectiveness of the proposed project, Section II.11(a), pages 22-23, and Exhibit 9 for further discussion on quality, and Sections VI.2-4, pages 78-81, for additional discussion on access to the proposed child/adolescent and adult inpatient psychiatric services.

The information provided by the applicants in those sections is reasonable and adequately demonstrates that relocating 60 inpatient psychiatric beds to OVBHS will have a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- ◆ The applicants adequately demonstrate the need for the project and that it is a cost-effective alternative. The discussions regarding the analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- ◆ The applicants adequately demonstrate they will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference; and
- ◆ The applicants adequately demonstrate that they will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is incorporated herein by reference.

Therefore, the application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

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In Section II.11, page 23, the applicants state that OVBHS is accredited by The Joint Commission. In addition, according to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding submission of the application through the date of this decision for which any sanctions or penalties related to quality of care were imposed by the State on any facility owned and operated by Universal Health Services, Inc. in North Carolina. Therefore, the application is conforming to 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.

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The application is conforming to all applicable Criteria and Standards for Psychiatric Beds, which are 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- In Section III.5(a), pages 65-66, the applicants provide projected patient origin by county of residence for the facility for the first two years of operation following completion of the project. Assumptions and methodology are discussed in Section III.5(b), page 67.
- (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- Using data provided by the applicants to project occupancy for child/adolescent inpatient psychiatric beds and adult inpatient psychiatric beds separately, and by quarter, in Section IV, pages 71-72, the Project Analyst calculated occupancy rates for the entire facility for each of the first eight calendar quarters following the completion of the proposed project, including the average length of stay. Assumptions and the methodology used are provided in Section III.1, pages 53-60, and Section IV, page 72.
- (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- The applicants provide the projected number of discharged patients readmitted at a later date in Section IV, pages 71-72, and state on page 72 that the projected percentage of readmissions is based on historical experience. The percentage of readmissions is projected to be 5.0% for both child/adolescent and adult patients.
- (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- The applicants provide the general treatment plan in Exhibit 7 of the application which includes treatment for substance abuse. In addition, in Section II.2(e), pages 15-17, Section II.3, pages 17-18, and Section II.4, pages 18-19, the applicants state that comprehensive treatment will be provided to psychiatric and dual diagnosis patients.

(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- The applicants state, in Section II, page 26, that OVBHS has contracts in place with all of the LME-MCOs in the state, and in Section V, page 75, states that it has established relationships with many other healthcare providers in the region. Letters of support from many of these providers are included in Exhibit 22.

(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- The applicants state, in Section II, page 26, that the services currently provided for patients at the facility will continue to be provided. A listing of services provided at OVBHS is included in Section II.9, page 21. Copies of service contracts are provided in Exhibits 8 and 22.

(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- The applicant provides admission criteria in Exhibit 6 of the application.

(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- The applicant states, in Section II, page 27, that physician coverage is provided 24 hours a day and that there is a written plan in place for management of medical and psychiatric emergencies. Exhibit 7 contains a copy of OVBHS' policy for Emergency Medical Services for Patients.

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

-C- The applicants state, in Section II, page 28, that client evaluation, including preliminary evaluation, and the establishment of individual treatment plans are included in OVBHS' Admission Procedure and Plan for the Provision of Care in Exhibits 6 and 7, respectively.

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

-C- In Section II, page 28, the applicants state that OVBHS has a Discharge and Post-Discharge planning process whereby discharge arrangements are coordinated with the patient and family. See Exhibit 7 for OVBHS' Plan for the Provision of Care.

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

-C- The applicants discuss the involvement of parents and family in the total treatment program in Section II, page 28. In addition, see Exhibit 7 for OVBHS' Plan for the Provision of Care.

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

-C- In Section II, page 29, the applicants state that individual, group and family therapy, medication therapy, and activities therapy including recreation will continue to be provided. In addition, see Exhibit 7 for OVBHS' Plan for the Provision of Care.

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

-C- OVBHS provides academic instruction for its child/adolescent patients through Hospital/Homebound teachers of the Winston-Salem/ Forsyth County Schools, as stated by the applicants in Section II, page 29. Additional information on the educational program is included in Exhibit 6.

(8) provision of an aftercare plan; and

-C- Aftercare plans are described in Exhibit 7 in OVBHS' Plan for the Provision of Care.

(9) quality assurance/utilization review plan.

-C- In Section II.11, pages 22-23, and Exhibit 9, the applicants provide documentation of the quality assurance/ utilization review and performance improvement 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- The applicants state, in Section II, page 30, that the proposed additional inpatient psychiatric beds will be developed on OVBHS' existing campus located on Old Vineyard Road in Winston-Salem.

- (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- In Exhibit 15, the applicants provide a letter signed by the CEO of OVBHS stating that the proposed behavioral health services will be provided in compliance with physical environment rules.
- (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- In Exhibit 14, the applicants provide a letter signed by the CEO of OVBHS stating OVBHS will continue to meet the requirements of 10A NCAC 26C .0103 for custody and treatment of involuntary clients.

.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- The applicants state, in Section II, page 31, that OVBHS' average occupancy for the most recent six months, August 2014 through January 2015, was 98.5%.
- (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- The applicants provide quarterly projected utilization of the total child/adolescent inpatient psychiatric beds and the total adult inpatient psychiatric

beds to be operated at the facility for the first two years of operation after project completion. The occupancy rate for the child/adolescent beds is projected to be 93.1% and the occupancy rate for the adult beds is projected to be 88.0% in the fourth quarter of the second operating year. The occupancy rate for all inpatient psychiatric beds is projected to be 89.7% in the fourth quarter of the second operating year.

.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- In Section VII.5, pages 97 and 98, the applicants provide staffing pattern tables for seven days per week and 24 hours a day for adult and adolescent inpatient psychiatric services, respectively.
- (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- The applicants state, in Section II, page 32, that there are 94 [93] licensed physicians in Forsyth County, its primary service area, who have a specialty in psychiatry. In addition, the applicants state, on page 32, that seven of its psychiatrists on staff “specialize in the treatment of children and adolescents” and OVBHS’ Medical Director specializes in the treatment of children and adolescents. Exhibit 16 contains a listing of the 93 physicians licensed to practice psychiatry in Forsyth County.
- (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- The applicants state, on page 32, that it has seven psychiatrists on staff with privileges and that all of them “specialize in the treatment of children and adolescents.” In addition, the applicants state, on page 32, that the Medical Director of OVBHS specializes in the treatment of children and adolescents.
- (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 13 contains a letter from a physician certified by the American Board of Psychiatry and Neurology who has expressed his willingness to continue to serve as the Medical Director of OVBHS.
- (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- In Section II, pages 32-33, the applicants state that OVBHS will continue to meet staffing to accommodate involuntary admissions in accordance with 10A NCAC 27G .6002. Staffing tables are provided in Section VII.1, pages 90-91, for both adult and adolescent inpatient psychiatric services, respectively.
- (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 Section II, page 33, the applicants state that OVBHS' Plan for the Provision of Care in Exhibit 7 and its Admission Criteria in Exhibit 6 describe guidelines for OVBHS' referrals from all sources, including, but not limited to, emergency department physicians, self-referral and significant others.
- (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- In Section VII.6, page 99, the applicants describe the initial training and ongoing continuing education required for professional staff. Exhibit 10 provides the applicants' policy for providing training or continuing education resources, both internally and externally, and includes a listing of training opportunities in the area.