

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: July 15, 2015

Findings Date: July 15, 2015

Project Analyst: Mike McKillip

Team Leader: Lisa Pittman

Project ID #: J-11030-15

Facility: Strategic Behavioral Center - Raleigh

FID #: 120089

County: Wake

Applicant: SBH – Raleigh, LLC dba Strategic Behavioral Center - Raleigh

Project: Transfer 24 psychiatric inpatient beds from Broughton Hospital to SBC-Raleigh pursuant to Policy PSY-1 for a total of 24 adult psychiatric inpatient beds, 32 child/adolescent psychiatric inpatient beds, and 36 psychiatric residential treatment facility beds upon project completion

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, Strategic Behavioral Center - Raleigh (SBC-Raleigh), proposes to relocate 24 adult psychiatric inpatient beds from Broughton Hospital pursuant to Policy PSY-1 in the 2015 State Medical Facilities Plan (SMFP). SBC currently operates 32 adolescent psychiatric inpatient beds and 60 psychiatric residential treatment facility (PRTF) beds at its Garner (Wake County) facility. The applicants do not propose to develop any new psychiatric inpatient beds. Therefore, there are no need determinations in the 2015 SMFP applicable to this review.

Policies

There are two policies in the 2015 SMFP which are applicable to this review, Policy MH-1: Linkages between treatment settings and Policy PSY-1: Transfer of beds from state psychiatric hospitals to community facilities.

Policy MH-1 states:

“An applicant for a certificate of need for psychiatric, substance abuse, or Intermediate care facilities for individuals with intellectual disabilities (ICF/IID) beds shall document that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.”

In Section I.12, page 7, the applicant states, “SBC-Raleigh does have formal support from Alliance Behavioral Healthcare for the proposed 24 Adult IP psych beds as evidenced by the Policy PSY-1 Bed Transfer MOA.” Exhibit 4 contains a copy of the “Memorandum of Agreement (MOA) for the Transfer of Inpatient Psychiatric Beds from Broughton to SMH-Raleigh, LLC,” which is signed by both the applicant and Alliance Behavioral Healthcare LME/MCO. The application is conforming to Policy MH-1.

Policy PSY-1 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 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-managed care organization 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.”

The applicant proposes to transfer 24 adult psychiatric inpatient beds from Broughton Hospital to existing space at the SBC-Raleigh facility. In Section II.2, page 9, the applicant states, “SBC-Raleigh is committed to serving the type of short-term psychiatric patients normally placed at the state psychiatric hospitals.” Exhibit 4 of the application contains a signed Memorandum of Agreement (MOA) between Alliance Behavioral Healthcare LME/MCO, which is the local management entity-managed care organization serving Wake County, the

Secretary of the North Carolina Department of Health and Human Services, and the applicant, for the transfer of the beds from Broughton Hospital. The application is conforming to Policy PSY-1.

Conclusion

In summary, the application is consistent with Policy MH-1 and Policy PSY-1. Therefore, the application is conforming to this criterion.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

SBC-Raleigh proposes to add 24 adult psychiatric inpatient beds to existing space at the facility by relocating 24 psychiatric inpatient beds from Broughton Hospital pursuant to Policy PSY-1 in the 2015 SMFP. SBC-Raleigh is currently licensed for 32 child and adolescent psychiatric inpatient beds and 60 PRTF beds at its Garner facility. The additional 24 adult psychiatric inpatient beds will be located in space currently occupied by 24 PRTF beds. The applicants propose to de-license 24 of the 60 PRTF beds to accommodate the 24 additional adult psychiatric inpatient beds. Upon project completion, SBC-Raleigh would be licensed for a total of 24 adult psychiatric inpatient beds, 32 child and adolescent psychiatric inpatient beds, and 36 PRTF beds.

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 consists of Cumberland, Durham, Johnston and Wake counties. Facilities may serve residents of counties not included in their service area.

In Section III.5, page 55, the applicant provides the projected patient origin for adult psychiatric inpatient services during the first two full fiscal years following project completion, as summarized in the table below.

**SBC-Raleigh
Projected Patient Origin (FFY2016-FFY2017)**

County	Percent of Total Patients
Wake	48.2%
Durham	9.1%
Johnston	6.8%
Orange	7.6%
Nash	6.5%
Wayne	6.2%
Wilson	3.9%
Franklin	3.5%
Chatham	2.4%
Harnett	2.4%
Granville	2.2%
Person	1.3%
TOTAL	100.0%

In Sections III.5, page 56, the applicant describes the proposed service area as follows:

“SBC-Raleigh does not have a historical patient origin for adult IP psych services as it currently does not offer adult IP psych services, however, SBC-Raleigh used the following assumptions in determining its proposed service areas: ... As SBC-Raleigh states in Section III.1, over 16,000 adult IP psych days of care from the 12-county service area were provided by facilities outside of the service area. ... As such, SBC-Raleigh proposes to serve the identified 12-county service area with a 3-county primary service area and a 9-county secondary service area. The patient origin is based on the reported FY2014 patient days of care by county reported by adult IP psychiatric care providers in the 2015 License Renewal Applications.”

The applicant adequately identified the population proposed to be served.

Analysis of Need

In Section III.1(a) and (b) of the application, the applicant describes the factors which they state support the need for the proposed project, including:

- Growth in the service area population (pages 35-37).
- The long emergency room wait times experienced by patients waiting to be placed in an adult psychiatric inpatient bed (page 38).
- The high percentage of service area patients historically treated at psychiatric inpatient facilities located out of the service area, which require patients and families to travel long distances from home (pages 39-40).
- The Crisis Solutions Initiative, which is a new statewide effort to improve mental health and substance abuse crisis services in North Carolina (pages 41-42).

- The psychiatric inpatient bed need projections in the State Medical Facilities Plan (43-47).
- Historical trend of increases in non-state hospital days of care for psychiatric inpatients statewide from FY2004-FY2013 (page 48).

In Section IV.1, pages 61-64, the applicant provides projected utilization for the proposed 24 adult psychiatric inpatient beds through the first three full years of operation following completion of the project (CY2015-CY2018), which is summarized below.

	CY2015 (Oct-Dec)	CY2016	CY2017	CY2018
Licensed Adult IP Psych Beds	24	24	24	24
Admissions	100	810	928	928
Patient Days of Care	900	7,290	8,352	8,352
Average Length of Stay (ALOS)	9.0	9.0	9.0	9.0
Average Daily Census	9.8	20	22	22
Occupancy Rate	41%	83%	95%	95%

As indicated in the above table, the applicant projects it will have an occupancy rate of 83% in the first full operating year (CY2016) and an occupancy rate of 95% in the second full operating year (CY2017), which exceeds the utilization standards required in 10A NCAC 14C .2603(b).

The applicant describes the assumptions and methodology used to project utilization in Section IV.1, page 59, as follows:

“The method used to project utilization comes from the following methodology and analysis:

For Adult IP psych utilization please reference Section III.1

- *Tracking and analyzing historical admission data, referral calls and bed availability for our currently operating C/A IP psych [child/adolescent inpatient psychiatric] beds at SBC-Raleigh and SBC-Wilmington.*
- *Readmissions projections are based off the readmission rate of 2.4% over the prior six months on C/A IP psych units at SBC-Raleigh.*
- *For C/A IP psych for ALOS of twelve (12) days is based off of the actual C/A IP psych ALOS at SBC-Raleigh for the prior 6 months. The ALOS for C/A IP psych services has experienced a slight rise due to outliers experiencing placement issues. For Adult IP psych the ALOS of nine (9) days is based off of actual Adult IP psych ALOS at other SBH facilities nationwide. SBC-Raleigh also took into account the Adult IP psych ALOS previously reported on NC CON applications.*
- *We believe that the demand for Adult IP psych services would support a full utilization immediately; however the ramp up schedule is based off of the pace at which we are comfortable operationally as well as our ramp up experience in the C/A IP psych units at SBC-Raleigh and SBC-Wilmington.”*

Exhibit 28 contains letters of support for the proposed project. Projected utilization is based on reasonable and adequately supported assumptions. Therefore, the applicant adequately demonstrate the need to transfer 24 adult psychiatric inpatient beds from Broughton Hospital to SBC-Raleigh.

Access

In Section VI.2, page 70, the applicant states that SBC-Raleigh will continue to provide services, as clinically appropriate, to all patients regardless of their ability to pay, racial/ethnic origin, age, gender, physical or mental conditions or other conditions that would classify them as underserved. The applicant adequately demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicant adequately identified the population to be served, demonstrated the need the population has for the project and demonstrated the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services. 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 51-53, the applicant describes the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintain the Status Quo –The applicant states that maintaining the status quo is not an effective alternative due to need for locally available adult psychiatric inpatient beds as documented in Section III.1 of the application.
- Joint Venture – The applicant states a joint venture is not practical because it proposes to transfer the beds to its existing facility.
- Construct a New Facility – The applicant states a new facility with 24 beds would not be cost-effective.

- Locate a New Facility in Another County – The applicant states a new facility in another county would not be cost-effective.
- Apply for More or Less Beds – The applicant states applying for more beds was not possible due to space constraints, and fewer beds would not meet the need.
- Construct a New Patient Wing – The applicant states this alternative was rejected because cost of construction and delays in project development make it less effective than the proposed project.

After considering those alternatives, the applicant states the alternative represented in the application is the most effective alternative to meet the identified need.

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 applicant adequately demonstrates that the proposal is the least costly or most effective alternative to meet the identified need. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

- 1. SBH – Raleigh, LLC dba Strategic Behavioral Center - Raleigh shall materially comply with all representations made in the certificate of need application.**
 - 2. SBH – Raleigh, LLC dba Strategic Behavioral Center - Raleigh shall relocate no more than 24 adult psychiatric inpatient beds from Broughton Hospital for a total licensed bed complement of no more than 24 adult psychiatric inpatient beds, 32 child and adolescent psychiatric inpatient beds, and 36 psychiatric residential treatment facility beds.**
 - 3. SBH – Raleigh, LLC dba Strategic Behavioral Center - Raleigh shall de-license 24 psychiatric residential treatment facility beds upon completion of this project.**
 - 4. SBH – Raleigh, LLC dba Strategic Behavioral Center - Raleigh shall accept patients requiring involuntary admission for inpatient psychiatric services.**
 - 5. SBH – Raleigh, LLC dba Strategic Behavioral Center - Raleigh 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.

In Section VIII.1, page 89, the applicant states the total capital cost of the project is projected to be \$10,500 for consultant fees. In Section IX.1, page 93, the applicant states there will be \$92,411 in start-up expenses and \$28,605 in initial operating expenses for total working capital required of \$121,016. In Section VIII.2, page 90, the applicant states that the project capital costs will be funded with the unrestricted cash of SBC-Raleigh. In Section IX.2, page 93, the applicant states that the working capital will also be funded with the unrestricted cash of SBC-Raleigh. Exhibit 25 contains a letter signed by the Chief Financial Officer for Strategic Behavioral Health, LLC (SBH), parent company for SBC-Raleigh, which documents the applicant's intention to fund the project capital costs and working capital costs with unrestricted cash of SBC-Raleigh. Exhibit 26 contains the SBH Consolidated Balance Sheets which indicate that as of December 31, 2013, SBH had \$2.3 million in cash and cash equivalents and \$133 million in total assets. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

In the pro forma financial statement for the hospital (Form B), the applicant projects that revenues will exceed operating expenses in each of the first three full operating years of the project, as illustrated in the table below.

Entire Facility

	CY2016	CY2017	CY2018
Net Patient Revenue	\$17,288,176	\$18,011,557	\$18,011,557
Total Expenses	\$10,956,526	\$11,210,387	\$11,428,882
Net Income	\$6,331,649	\$6,801,170	\$6,582,675

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. See Criterion (3) for discussion of utilization projections which are incorporated herein by reference. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. 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

The applicant proposes to add 24 adult psychiatric inpatient beds to the existing psychiatric facility by transferring 24 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2015 SMFP. SBC-Raleigh is currently licensed for 32 adolescent psychiatric inpatient beds and 60 PRTF beds at its Garner (Wake County) facility.

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 consists of Cumberland, Durham, Johnston and Wake counties. Facilities may serve residents of counties not included in their service area.

According to the inventory of adult psychiatric beds in the Table 15A of the 2015 SMFP (pages 370-371), there are a total of 1,699 adult psychiatric inpatient beds in the state, excluding beds in State Hospitals. However, in the applicant’s LME-MCO, Alliance Behavioral Health, there are six hospitals with a total of 186 existing licensed adult psychiatric beds and 72 CON-approved adult psychiatric beds, as shown in the table below:

Name of Facility	County	Licensed Beds	License Pending	Total Adult Inventory
Cape Fear Valley Medical Center	Cumberland	28	0	28
Duke Regional Hospital	Durham	23	0	23
Duke University Medical Center	Durham	19	0	19
Johnston Memorial Hospital	Johnston	20	0	20
Holly Hill Hospital	Wake	80	60	140
UNC Hospitals at Wakebrook	Wake	16	12	28
Totals		186	72	258

Source: 2015 SMFP, Table 15A, page 370.

Of the 1,699 existing adult psychiatric inpatient beds in North Carolina, excluding beds in State Hospitals, only 186 or 10.9% ($186/1,699 = 0.109$) are located in the applicant’s service area. In addition, on July 26, 2014, the Agency issued a certificate of need to Holly Hill Hospital to increase the number of adult psychiatric inpatient beds. In that application, Holly Hill Hospital reported an average annual occupancy rate of 122% for its 80 existing adult psychiatric inpatient beds in the prior year of operation (CY2013).

In Section III.1, pages 43-47, the applicant discusses the adult psychiatric inpatient bed need methodology published in the 2015 SMFP. The applicant states the actual demand for adult inpatient psychiatric beds has in fact outpaced projections published in the SMFP since approximately 2009.

In Section V.6, page 68, the applicant states the development of the adult psychiatric inpatient beds as proposed will have a positive impact on existing services, because it will reduce the wait times for patients seeking admission to an inpatient psychiatric facility and decrease the burden on overwhelmed emergency departments in the service area. Additionally, with regard to the Federal Mental Health Parity Laws and the Affordable Care Act, the applicant states the development of the 24 adult psychiatric inpatient beds will lessen the demand on existing hospitals to provide these services. The applicant states the development of these beds as proposed will create access to adult psychiatric inpatient services for patients who are currently unable to access services due to a lack of available beds.

Therefore, the applicant adequately demonstrates that the proposed project will not result in unnecessary duplication of existing or approved adult inpatient psychiatric services. 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

In Section VII.3, page 82, the applicant provides the proposed new positions to be established as a result of the proposed project in operating year 2 (CY2017), as shown in the table below.

Position	Number of Staff (FTE)
Admissions	1.0
Billings	0.5
Cooks	1.0
Housekeepers	1.0
Intake Specialists	1.0
Medical Records	1.0
Mental Technicians	15.6
Therapists	3.0
TOTAL	24.1

Source: Table VII.2, page 82.

In Section VII.2, page 81, the applicant provides the proposed total staff at the facility in operating year 2 (CY2017), as shown in the table below.

Position	Number of Staff (FTE)
Admissions - Assessors	6.4
Associate Clinical Director	1.0
Billings	2.0
CEO	1.0
Community Liaison	2.0
Cooks	5.5
Director of Clinical Services	1.0
Director of Nursing	1.0
Drivers	1.0
Education Manager	1.0
Executive Administrative Assistant	1.0
Housekeepers	5.5
Intake Specialists	4.8
Marketing	1.0
Medical Records	3.0
Mental Technicians	37.8
Milieu Manager	5.0
Program Director	1.0
Receptionists	4.2
Recreational Therapists	3.0
Registered Nurses	28.0
Resident Advisors	50.4
Risk Manager	2.0
Safety Officer	1.0
Teachers	4.0
Therapists	12.4
Utilization Review	3.0
TOTAL	189.0

Source: Table VII.2, page 81.

In Section VII.3, page 83-85, the applicant describes its experience and process for recruiting and retaining staff. In Section VII.8, page 88, the applicant identifies Dr. Karen Miles, as the Medical Director for SBC-Raleigh. Exhibit 16 contains a copy of a letter from Dr. Miles expressing her support for the project and willingness to serve as Medical Director. Exhibit 28 of the application contains copies of letters from SBC-Raleigh psychiatrists expressing support for the proposed project. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services. 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.9, page 17, the applicant lists the proposed providers of the necessary ancillary and support services. Exhibit 7 contains service contracts with providers of laboratory, pharmacy, physician, and radiology services. Exhibit 28 contains letters of support from physicians and other health care providers. Exhibit 11 contains a signed transfer agreement with WakeMed. The applicant adequately demonstrates that necessary ancillary and support services are available and that the proposed services will be coordinated with the existing healthcare 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.

NA

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

C

In Section VI.11, page 78, the applicant provides the payer mix during CY2014 for the existing SBC-Raleigh facility, as summarized in the table below.

Payer	Patient Days as % of Total		
	PRTF Beds	Adult Psychiatric Beds	Child/Adolescent Psychiatric Beds
Self Pay/ Indigent/ Charity	0%	NA	2%
Medicaid	95%	NA	70%
Commercial Ins./Managed Care	5%	NA	28%
Total	100%	NA*	100%

*SBC-Raleigh does not currently operate adult psychiatric inpatient beds.

As shown in the table above, 95% of all PRTF days of care, and 70% of all inpatient psychiatric days of care for child/adolescent services, was paid for by Medicaid.

The Division of Medical Assistance (DMA) maintains a website which provides the number of persons eligible for Medicaid in North Carolina, and estimates the percentage of uninsured people for each county. The following table illustrates those percentages for Wake County and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Wake County	10%	3.3%	18.4%
Statewide	17%	6.7%	19.7%

*More current data, particularly with regard to the estimated uninsured percentages, was not available.

The majority of Medicaid eligibles are children under the age of 21. This age group does not typically utilize the same health services at the same rate as the adults

proposed to be served. Moreover, as shown in the first table above, 95% of the facility's PRTF patients are Medicaid recipients and 70% of the child/adolescent inpatient psychiatric patients are Medicaid recipients.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicant's current payer mix would be of little value. 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.

The applicant demonstrated that medically underserved populations currently have adequate access to the services offered at SBC-Raleigh. 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 applicant;

C

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.10, page 77, the applicant states, "*SBC-Raleigh does not have any public obligations under applicable Federal Regulations or agreements to provide uncompensated care, community services, or access to care by medically underserved, minorities or handicapped persons.*" In Section VI.1, page 70, the applicant states SBC-Raleigh will provide essential services regardless of race, religion, ethnicity, sex, age, handicap condition or a person's ability to pay. In Section VI.9, page 77, the applicant states that no civil rights complaints were filed against SBC-Raleigh in the last five years. Therefore, 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.12, page 78, the applicant provides the projected payer mix for the second full operating year following completion of the proposed project, as summarized in the table below.

Payer	Patient Days as % of Total		
	PRTF Beds	Adult Psychiatric Beds	Child/Adolescent Psychiatric Beds
Self Pay/ Indigent/ Charity	0%	5%	2%
Medicare/Medicare Managed Care	0%	35%	0%
Medicaid	95%	11%	70%
Commercial Ins./Managed Care	5%	49%	28%
Total	100%	100%	100%

As shown in the table above, the applicant projects that 46% of all adult psychiatric inpatient days of care will be provided to recipients of Medicare and Medicaid. The applicant demonstrated that medically underserved population currently will have adequate access to the services offered at SBC-Raleigh. Therefore, the application is conforming to this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI.8, page 76, the applicant describes the range of means by which a person will have access to SBC-Raleigh’s services, including self-referral, physician referral, hospital emergency departments, law enforcement agencies and other medical providers. The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to adult psychiatric inpatient 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.

C

In Section V.1, page 65, the applicant identifies the health professional training programs that SBC-Raleigh has established relationships with in the service area, which are listed below:

- North Carolina State University
- University of North Carolina
- Wake Technical Community College

Exhibit 20 contains copies of the clinical training agreements. The information provided is reasonable and credible and supports a finding of conformity 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.

C

The applicant proposes to add 24 adult psychiatric inpatient beds to its existing psychiatric facility by transferring 24 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2015 SMFP. SBC-Raleigh currently operates 32 adolescent psychiatric inpatient beds and 60 psychiatric residential treatment facility (PRTF) beds at its Garner (Wake County) facility. The applicant does not propose to develop any new psychiatric inpatient beds. There are currently two facilities in Wake County with adult psychiatric inpatient beds listed in the inventory in the 2015 SMFP. Holly Hill Hospital, which has 140 beds (80 existing and 60 under development) and UNC Hospitals at Wakebrook, which has 28 beds (16 existing and 12 under development).

According to the inventory of adult psychiatric beds in the Table 15A of the 2015 SMFP (pages 370-371), there are a total of 1,699 adult psychiatric inpatient beds in the state, excluding beds in State Hospitals. However, in the applicant's LME-MCO, Alliance Behavioral Health, there are six hospitals with a total of 186 existing licensed adult psychiatric beds and 72 CON-approved adult psychiatric beds, as shown in the table below:

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Source: 2015 SMFP, Table 15A, page 370.

Of the 1,699 existing adult psychiatric inpatient beds in North Carolina, excluding beds in State Hospitals, only 186 or 10.9% ($186/1,699 = 0.109$) are located in the applicant's service area. In addition, on July 26, 2014, the Agency issued a certificate of need to Holly Hill

Hospital to increase the number of adult psychiatric inpatient beds. In that application, Holly Hill Hospital reported an average annual occupancy rate of 122% for its 80 existing adult psychiatric inpatient beds in the prior year of operation (CY2013).

In Section V.6, page 68, the applicant discusses how any enhanced competition in the service area would have a positive impact on the cost-effectiveness, quality and access to the proposed services. The applicant states

“The proposed project involves the relocation of existing Adult IP psych beds and the replacement of existing PRTF beds to accommodate the Adult IP psych beds. The project will not result in the increase in the inventory of Adult IP psych beds. The relocation of these beds will have a positive impact for the entire community, including those providers currently offering inpatient psychiatric care. For several years there have been barriers to inpatient mental health treatment throughout the state and specifically in Wake County. Emergency departments are overwhelmed with psychiatric patients who are awaiting transfer due to a lack of bed availability. Psychiatric boarding is also a major concern nationally, with recent Supreme Court rulings in Washington State. This project will allow for timely access for many of the patients awaiting care....

Facilities that offer adult inpatient psychiatric care in the proposed service area are often on divert and running a waiting list. The largest provider of adult inpatient psychiatric care in the service area is Holly Hill Hospital, who since 2009 has reported utilization in excess of 100 percent. In CY2013 occupancy on Holly Hill Hospital’s adult inpatient unit was reported to be 121.9%. It is our belief that the increases in population of the service area, as well as the impact of the Federal Mental Health Parity Laws and Affordable Care Act will create a greater demand on existing providers. Furthermore, the addition of the 24 Adult IP psych beds to SBC-Raleigh, as proposed in this application, will support the State Medical Facilities Plan to diversify and balance competition.

Population growth and a deficit of inpatient psychiatric beds suggests that the proposed services will not take admissions away from facilities that currently have inpatient Adult IP psych beds. The bed availability will create access to adults who are currently unable to access inpatient psychiatric beds due to a lack of availability.”

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicant in the application is reasonable and adequately demonstrates that any enhanced competition in the service area would have a positive impact on the cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates 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 applicant adequately demonstrates it will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference; and
- The applicant adequately demonstrates that it 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.

C

In Section I.12, page 5, the applicant states that it currently owns, leases, or manages three psychiatric facilities in North Carolina. 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 the applicant in North Carolina. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all three facilities, the applicant provided sufficient evidence that quality care has been provided in the past and adequately demonstrated that there is no pattern of substandard quality of care. 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.

C

The application is conforming to all applicable Criteria and Standards for Psychiatric Beds promulgated in 10A NCAC 14C .2600. The specific criteria are discussed below.

10A NCAC 14C .2602 INFORMATION REQUIRED OF APPLICANT

- (a) *An applicant proposing to establish new psychiatric beds shall project resident origin by percentage by county of residence. All assumptions and the methodology for projecting occupancy shall be stated.*
- C- In Section III.5, pages 55-56, the applicant provides projected patient origin by percentage by county of residence and all assumptions and the methodology used to project occupancy.
- (b) *An applicant proposing to establish new psychiatric beds shall project an occupancy level for the entire facility for the first eight calendar quarters following the completion of the proposed project, including average length of stay. All assumptions and the methodology for projecting occupancy shall be stated.*
- C- In Section IV, pages 61-64, the applicant provides the projected utilization and the occupancy level for the proposed inpatient psychiatric beds for each of the first eight calendar quarters following project completion, including the average length of stay. The assumptions and methodology used are stated in Section III.1, pages 34-49 and Section IV, page 59. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (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- In Section II.2, page 20, the applicant states that the 30-day readmission rate in the prior six months for SBC-Raleigh's child and adolescent psychiatric inpatient unit was 2.4%.
- (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- See Section II.2, pages 9-13, for the adult psychiatric inpatient services to be provided. See Section II.3, page 14, for support services, and Section II.4, page 14, for provision for dual diagnosis patients. In Section II.8, page 16, and Exhibit 6, the applicant describes the general treatment plan that is anticipated to be used by SBC-Raleigh.
- (e) *The applicant shall document the attempts made to establish working relationships with the health care providers and others that are anticipated to refer clients to the proposed psychiatric beds.*
- C- Exhibit 28 contains letters of support from physicians and other healthcare providers in the proposed service area.

- (f) *The applicant shall provide copies of any current or proposed contracts or agreements or letters of intent to develop contracts or agreements for the provision of any services to the clients served in the psychiatric facility.*
- C- Exhibit 7 contains copies of service contracts for laboratory, pharmacy, medical and radiology services. Exhibit 24 contains a copy of the contract between SBC-Raleigh and the Alliance Behavioral Health LME-MCO.
- (g) *The applicant shall document that the following items are currently available or will be made available following completion of the project:*
- (1) *admission criteria for clinical admissions to the facility or unit;*
- C- Admission criteria for clinical admissions to SBC-Raleigh are described in Section II.12, page 22.
- (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- In Section II.12, page 22, the applicant describes the manner in which emergency services are provided on a 24-hour basis.
- (3) *client evaluation procedures, including preliminary evaluation and establishment of an individual treatment plan;*
- C- In Section II.12, pages 22-23, the applicant describes the client evaluation procedures, including preliminary evaluation and establishment of an individual treatment plan.
- (4) *procedures for referral and follow-up of clients to necessary outside services;*
- C- In Section II.12, page 24, the applicant describe SBC-Raleigh's procedures for referral and follow-up of clients to necessary outside services.
- (5) *procedures for involvement of family in counseling process;*
- C- In Section II.12, page 24, the applicant describes SBC-Raleigh's procedures for involvement of family in the counseling process.
- (6) *comprehensive services which shall include individual, group and family therapy; medication therapy; and activities therapy including recreation;*
- C- In Section II.12, page 24, the applicant describes the existing comprehensive services which include individual, group and family therapy; medication therapy; and activities therapy, including recreation.

- (7) *educational components if the application is for child or adolescent beds;*
- NA- This project does not involve children and adolescents.
- (8) *provision of an aftercare plan; and*
- C- In Section II.12, page 24, the applicant describes SBC-Raleigh's aftercare plan.
- (9) *quality assurance/utilization review plan.*
- C- In Section II.12, page 25, and Exhibit 8, the applicant describes SBC-Raleigh's performance improvement and utilization review plans.
- (h) *An applicant proposing to establish new psychiatric beds shall specify the primary site on which the facility will be located. If such site is neither owned by nor under option by the applicant, the applicant shall provide a written commitment to pursue acquiring the site if and when a certificate of need application is approved, shall specify at least one alternate site on which the facility could be located should acquisition efforts relative to the primary site ultimately fail, and shall demonstrate that the primary site and alternate sites are available for acquisition.*
- C- SBC-Raleigh is an existing facility and the proposed project involves the transfer of 24 adult psychiatric inpatient beds to the existing facility on its current site.
- (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 Section II.12, page 26 and Exhibit 12, the applicant states the facility meets the requirements of 10A NCAC 27G .0300.
- (j) *An applicant proposing to establish new adult or child/adolescent psychiatric beds shall provide:*
- (1) *documentation that adult or child/adolescent inpatient psychiatric beds designated for involuntary admissions in the licensed hospitals that serve the proposed mental health planning area were utilized at less than 70 percent for facilities with 20 or more beds, less than 65 percent for facilities with 10 to 19 beds, and less than 60 percent for facilities with one to nine beds in the most recent 12 month period prior to submittal of the application; or*
 - (2) *a written commitment that the applicant will accept involuntary admissions and will meet the requirements of 10A NCAC 26C .0103 for designation of the facility, in which the new psychiatric beds will be located, for the custody and treatment of involuntary clients, pursuant to G.S. 122C-252.*

- C- Exhibit 13 contains a letter from the Chief Executive Officer of SBC-Raleigh which states that the facility will accept involuntary admissions and will meet the requirements of 10A NCAC 26C .0103.

.2603 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add psychiatric beds in an existing facility shall not be approved unless the average occupancy over the six months immediately preceding the submittal of the application of the total number of licensed psychiatric beds within the facility in which the beds are to be operated was at least 75 percent.*
- C- In Section II.12, page 28, the applicant state that the average occupancy rate over the six months immediately preceding the submittal of the application of the child/adolescent inpatient psychiatric beds was 96%.
- (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- In Section IV, page 63, the applicant projects that the occupancy rate of the total number of licensed psychiatric beds will be 96% during the fourth quarter of the second operating year following completion of the project. The applicants' assumptions and methodology used to project utilization of the psychiatric beds are provided in Section III.1, pages 34-49 and IV, page 59. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

.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, page 86, the applicant provides a table which shows the daily staffing pattern for SBC-Raleigh's inpatient psychiatric beds.
- (b) *A proposal to provide new psychiatric beds must identify the number of physicians licensed to practice medicine in North Carolina with a specialty in psychiatry who practice in the primary service area. Proposals specifically for or including child or adolescent psychiatric beds must provide documentation to show the availability of a psychiatrist specializing in the treatment of children or adolescents.*
- C- In Exhibit 14, the applicant provides a list of licensed psychiatrists providing care in SBC-Raleigh's primary service area. Exhibit 16 contains a letter from Karen Miles, MD expressing her willingness to continue to serve as Medical Director and a copy of her curriculum vitae.

- (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- In Section II.12, page 30, the applicant states SBC-Raleigh has three psychiatrists on the medical staff.
- (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 16 contains a letter from Karen Miles, MD expressing her willingness to continue to serve as Medical Director. Dr. Miles is board-certified in child and adolescent psychiatry. Also see Exhibit 16 for a copy of Dr. Miles' curriculum vitae.
- (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- See Exhibit 13 for a letter dated March 10, 2015 from the Chief Executive Officer of SBC-Raleigh which states that the facility will continue to accept involuntary admissions. In Section VII, pages 85-86, and Section II.12, pages 30-31, the applicant describes the staffing to serve involuntary admissions.
- (f) *A proposal to provide new or expanded psychiatric beds must describe the procedures which have been developed to admit and treat patients not referred by private physicians.*
- C- In Section II.12, pages 31-32, the applicant documents the procedures which have been developed to admit and treat patients not referred by private physicians.
- (g) *A proposal to provide new or expanded psychiatric beds shall indicate the availability of training or continuing education opportunities for the professional staff.*
- C- In Section II.12, pages 33-34, the applicant describes training and continuing education opportunities that are available for the professional staff at SBC-Raleigh.