

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: September 30, 2020

Findings Date: September 30, 2020

Project Analyst: Mike McKillip

Assistant Chief: Lisa Pittman

Project ID #: G-11909-20

Facility: Addiction Recovery Care Association

FID #: 921416

County: Forsyth

Applicant: Addiction Recovery Care Association, Inc.

Project: Relocate no more than 36 existing adult chemical dependency treatment (CDT) beds to the relocated facility

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §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

Addiction Recovery Care Association, Inc. (hereinafter referred to as ARCA or “the applicant”) proposes to relocate no more than 36 existing adult chemical dependency treatment (CDT) beds from the existing facility located at 1931 Union Cross Road in Winston-Salem to a facility located at 5580 Sturmer Park Circle in Winston-Salem.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2020 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2020 SMFP applicable to this review: Policy MH-1: Linkages Between Treatment Settings.

Policy MH-1, Linkages Between Treatment Settings, on page 24 of the 2020 SMFP states:

“An applicant for a certificate of need for psychiatric, substance use disorder 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.”

Exhibit B-3 (Tab 2) contains a copy of a letter from Cardinal Innovations Healthcare Solutions LME-MCO expressing support for the proposed project.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion because the applicant adequately demonstrates that the proposal is consistent with Policy MH-1 based on a letter from Cardinal Innovations Healthcare Solutions LME-MCO indicating support for and willingness to continue to work with the applicant.

- (2) Repealed effective July 1, 1987.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

C

The applicant proposes to relocate no more than 36 existing adult chemical dependency treatment (CDT) beds from the existing facility located at 1931 Union Cross Road in Winston-Salem to a facility located at 5580 Sturmer Park Circle in Winston-Salem. In Section C.1, pages 13-14, the applicant describes the project as follows:

“Addiction Recovery Care Association, Inc., (“ARCA”) is an existing licensed provider of adult-only Chemical Dependency Treatment (“CDT”) beds and Detox-Only beds in Winston Salem, Forsyth County, North Carolina. Currently, ARCA is

licensed and CON-approved to operate 36 adult CDT beds and licensed to operated 24 Detox-Only beds. In this Application, ARCA is seeking approval to relocate its existing 36 licensed CDT beds to a new facility located within the same service area. In addition, ARCA will relocate its existing Detox-Only beds to this new location through an exemption. In 2018, ARCA was presented with an opportunity from Forsyth County to relocate its services to a county-owned property that previously functioned as a nursing home. This opportunity presents several benefits that will be described in more detail below including:

- *An improved, more accessible location;*
- *A responsive and supportive landlord; and*
- *Space for expansion of both exempt and CON-reviewable services.*

From a regulatory perspective, ARCA has approached this project in several components. First, the County will undertake some renovations to the facility infrastructure, which are exempt from CON review.

Second, ARCA will renovate much of the facility for the relocation of its CON-exempted Detox-Only beds along with support space for these exempt beds and other unlicensed outpatient services. ARCA submitted an amended No Review Request on October 1, 2018 to the Department. Within this No Review Request, ARCA laid out the reasons why the relocation, excluding the 36 CDT beds, is exempt from review due to the fact that relocation will not result in a new institutional health service being offered. Please see Exhibit C-1.1 (Tab 3) for the No Review Request. On October 3, 2018, the Department approved the No Review Request for the facility relocation. Please see Exhibit C-1.2 (Tab 3) for the approval letter for No Review from the Department. The costs of renovations to the new location for the relocation of exempt CDT beds have not been included in this project.

Third, the new facility is larger than currently needed and there are spaces set aside for future use that will not be renovated at this time. ARCA will seek later CON approval or No Review authorization at the time such parts of the facility will be renovated if needed.

Fourth, in this application, ARCA is seeking the relocation of its existing CON-approved CDT beds to the new location.

Finally, ARCA is applying for additional CDT beds, recognized as needed in the 2020 State Medical Facilities Plan (“SMFP”) for the Cardinal Innovations Healthcare Solutions MCO in response to a petition filed in 2019 by ARCA to the State Health Coordinating County. The application for additional beds is file as separate but simultaneously filed application.

While this application specifically requests the relocation of the existing licensed CDT beds, the relocation is described in the context of the entire facility relocation and

expansion plan for ARCA. The application for expansion of CDT beds is being filed separately and simultaneously.”

Regulatory Plan for Relocation and Expansion of ARCA:

	<i>Detox Beds</i>	<i>CDT Beds</i>
<i>Exempt Relocation of Detox Beds</i>	<i>24</i>	
<i>CON for Additional CDT Beds (this application)</i>		<i>32</i>
<i>CON to Relocation CDT beds (simultaneously filed application)</i>		<i>36</i>
<i>Total Long Term Plan for ARCA Beds</i>	<i>24</i>	<i>68</i>

ARCA decided to file two applications so that, in the event there is a competing application for the 32 new beds, ARCA can be approved for and move forward with relocation of its full existing operations regardless of approval for the bed addition. The proposed project responds to a significant demand for Detox and CDT services as part of the national, statewide and local drug crisis.”

Patient Origin

N.C.G.S. §131E-176(24a) states: “Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.” On page 369, the 2020 SMFP states, “A chemical dependency treatment bed’s service area, for purposes of the State Medical Facilities Plan, is the substance use disorder services region in which the bed is located. Regions are comprised of Licensed Management Entities-Managed Care Organizations (LME-MCO). The North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services of the Department of Health and Human Services establishes the LME-MCOs. Table 15B lists the LME-MCOs and their constituent counties that comprise the three regions for substance use disorder services.” In Table 15B, page 373 of the 2020 SMFP, Forsyth County is included in the Central Region of the state. Thus, the service area for this facility consists of counties in the Central Region on Table 15B. Facilities may also serve residents of counties not included in their service area.

In Sections C.2 and C.3, pages 20-21, the applicant provides the historical (SFY2019) patient origin for the existing CDT beds at ARCA, and the projected patient origin for the first three full fiscal years of operation (SFY2022-SFY2024) of the proposed project, as shown in the following tables:

**Historical Patient Origin
ARCA Chemical Dependency Treatment Beds SFY2019**

COUNTY	LAST FULL FY (7/1/18 – 6/30/19)	
	# PATIENTS	% OF TOTAL
Forsyth	376	28.70%
Guilford	316	24.12%
Davidson	98	7.48%
Randolph	87	6.64%
Rockingham	62	4.73%
Mecklenburg	50	3.82%
Rowan	39	2.98%
Cabarrus	34	2.60%
Union	26	1.98%
Alamance	21	1.60%
Surry	21	1.60%
Moore	18	1.37%
Stokes	18	1.37%
Davie	17	1.30%
Iredell	15	1.15%
Stanly	14	1.07%
Yadkin	14	1.07%
Other*	84	6.42%
Total	1,310	100.00%

*Counties and other states included in the "Other" category are shown on page 20 of the application.

**ARCA Chemical Dependency Treatment Beds
 Projected Patient Origin**

COUNTY	1 st Full FY SFY2022		2 nd Full FY SFY2023		3 rd Full FY SFY2024	
	# Pts	% of Total	# Pts	% of Total	# Pts	% of Total
Forsyth	383	28.70%	383	28.70%	383	28.70%
Guilford	322	24.12%	322	24.12%	322	24.12%
Davidson	100	7.48%	100	7.48%	100	7.48%
Randolph	89	6.64%	89	6.64%	89	6.64%
Rockingham	63	4.73%	63	4.73%	63	4.73%
Mecklenburg	51	3.82%	51	3.82%	51	3.82%
Rowan	40	2.98%	40	2.98%	40	2.98%
Cabarrus	35	2.60%	35	2.60%	35	2.60%
Union	27	1.98%	27	1.98%	27	1.98%
Alamance	21	1.60%	21	1.60%	21	1.60%
Surry	21	1.60%	21	1.60%	21	1.60%
Moore	18	1.37%	18	1.37%	18	1.37%
Stokes	18	1.37%	18	1.37%	18	1.37%
Davie	17	1.30%	17	1.30%	17	1.30%
Iredell	15	1.15%	15	1.15%	15	1.15%
Stanly	14	1.07%	14	1.07%	14	1.07%
Yadkin	14	1.07%	14	1.07%	14	1.07%
Other*	86	6.42%	86	6.42%	86	6.42%
Total	1,336	100.00%	1,336	100.00%	1,336	100.00%

*Counties and other states included in the "Other" category are shown on page 21 of the application.

In Section C.3(b), page 22, the applicant states that the projected patient origin is based on the historical patient origin for CDT services at ARCA. The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 22-34, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- ARCA has a large service area with a growing population (pages 22-26).
- The historical high rate of utilization for ARCA's CDT beds and resulting treatment deferrals and delays due to the lack of adequate capacity (pages 26-29).
- The lack of treatment alternatives for uninsured and low-income patients (pages 29-30).

The information is reasonable and adequately supported for the following reasons:

- The applicant provides reasonable and adequately supported information to support its assertions regarding the size and growth of its service area population.

- The applicant provides historical data to support its assumptions regarding the projected utilization of its CDT beds, the level of patient deferrals for treatment it has experienced, and the capacity constraints of the existing ARCA facility.

Projected Utilization

In Section Q, Form C, the applicant provides utilization projections for its existing CDT beds through the first three operating years of the proposed project, as summarized below.

ARCA Projected Utilization

	Last Full Year SFY2019	Interim SFY2020	Interim SFY2021	Project Year 1 SFY2022	Project Year 2 SFY2023	Project Year 3 SFY2024
Detox Only Beds						
# of Detox Only Beds	24	24	24	24	24	24
Days of Care	3,244	3,065	3,650	6,570	7,500	8,250
Occupancy Rate	37.03%	34.99%	41.67%	75.00%	85.62%	94.18%
Adult CDT Beds						
# of CDT Beds	36	36	36	36	36	36
Days of Care	12,860	12,223	9,862	13,100	13,100	13,100
Occupancy Rate	97.87%	93.02%	75.05%	99.70%	99.70%	99.70%

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. The applicant states,

“FY 2019 reflects actual utilization, FY 2020 reflects actual utilization through May, annualized. FY 2020 also reflects the impact of COVID19 starting in March, wherein ARCA operated each room as single occupancy for infection control precautions. FY 2021 reflects continued operation in the existing location as assumes the impact of COVID19 will continue through December 2020 after which utilization will ramp back up to pre-COVID19 levels based on historical demand and deferrals. FY 2022 reflects the first year of operation in the new location. Detox bed utilization reflects the ability to operate all 24 licensed beds in the new location. CDT utilization reflects high occupancy rates as experienced prior to the COVID19 impact based on historical demand and ongoing deferrals.”

In Section C.4, page 31, the applicant states,

“FY 2019 is based on actual utilization data. FY 2020 is based on data through May 2020 and annualized assuming that June 2020 experience would be similar to May. Utilization for FY 2020 is slightly lower than FY 2019 due to COVID-19 implications that required ARCA to use semi-private rooms as private rooms for infection control. Despite this, overall utilization for FY 2020 is projected to be 93% occupancy. FY 2021 interim year is projected based on the expectation that COVID-19 precautions will

remain in place into the fall and that ARCA will be able to use all licensed beds for the second half of the fiscal year resulting in an overall projection of 75% occupancy.

The existing CDT beds in the new location will come online with the beginning of FY 2022. ARCA has assumed that it will return to previously high occupancy rates of 99 percent for FY 2022 through 2024, the first three years of operation in the new location, based on continued high numbers of deferrals as previously shown in Figure 7.”

Projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for the CDT beds at ARCA are based on its historical CDT bed utilization, and are further supported by the historical level of patient deferrals and the projected growth in the service area population.
- The applicant’s utilization projections are supported by letters from other providers and referral sources who have expressed support for the proposed project. See Exhibits C-4 and I-2.

Access

In Section C.7, pages 34-35, the applicant states it is committed to providing services to all patients, and will not discriminate against anyone based on income, payer status, race, ethnicity, age, sex, physical handicap, or the patient’s ability to pay. In Section L.3, page 63, the applicant projects the following payor mix during the third full fiscal year (SFY2024) of operation following completion of the project, as illustrated in the following table.

Payor Source	CDT Beds Percent of Total Days of Care
Self-Pay	0.5%
Insurance	7.5%
Other*	92.0%
Total	100.0%

*Applicant states the “Other” category includes “*Managed Care Organizations, Federal Probation.*”

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately identifies the population to be served.

- The applicant adequately explains why the population to be served needs the services proposed in this application.
 - Projected utilization is reasonable and adequately supported.
 - The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately support its assumptions.
- (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.

C

The applicant proposes to relocate no more than 36 existing adult chemical dependency treatment (CDT) beds from the existing facility located at 1931 Union Cross Road in Winston-Salem to a facility located at 5580 Sturmer Park Circle in Winston-Salem. The proposed site is approximately 17 miles and 22 minutes driving time from the existing ARCA facility. In Section D.2, page 40, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 40, the applicant states:

“The new facility will better meet the needs of the patients due to the better location and larger facility. The new facility is conveniently located next to the highway and a bus line. This will allow patients easier access to the new facility. The new facility is also larger than the current facility and will allow ARCA to expand its treatment opportunities including both CON-exempt and CON-required services. Simultaneously with this project, ARCA is filing an application to expand CDT beds to address the need recognized in the 2020 SMFP.”

In Section Q, Form C, the applicant provides utilization projections for its existing CDT beds through the first three operating years of the proposed project, as summarized below.

ARCA Projected Utilization

	Last Full Year SFY2019	Interim SFY2020	Interim SFY2021	Project Year 1 SFY2022	Project Year 2 SFY2023	Project Year 3 SFY2024
Detox Only Beds						
# of Detox Only Beds	24	24	24	24	24	24
Days of Care	3,244	3,065	3,650	6,570	7,500	8,250
Occupancy Rate	37.03%	34.99%	41.67%	75.00%	85.62%	94.18%
Adult CDT Beds						
# of CDT Beds	36	36	36	36	36	36
Days of Care	12,860	12,223	9,862	13,100	13,100	13,100
Occupancy Rate	97.87%	93.02%	75.05%	99.70%	99.70%	99.70%

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for the CDT beds at ARCA are based on its historical CDT bed utilization, and are further supported by the historical level of patient deferrals and the projected growth in the service area population.
- The applicant’s utilization projections are supported by letters from other providers and referral sources who have expressed support for the proposed project. See Exhibits C-4 and I-2.

In Section D.3, pages 40-41, the applicant states the proposed project will not have any impact on access by underserved groups to the services to be relocated.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion.
- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion.

- (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

The applicant proposes to relocate no more than 36 existing adult chemical dependency treatment (CDT) beds from the existing facility located at 1931 Union Cross Road in Winston-Salem to a facility located at 5580 Sturmer Park Circle in Winston-Salem.

In Section E.3, page 43, the applicant states the proposed project is the only effective alternative it considered and explains why the alternative is the most effective to meet the need. The applicant states:

“The proposed project offers the only effective alternative. Being one of the few addiction recovery centers aiding the indigent population, this new site will allow for better access for this population. The proposed location is now on a bus line and has easy access to major thoroughfares making travel easier and more accessible to the patient population currently served by ARCA. Forsyth County has offered a highly-beneficial and cost-effective opportunity for ARCA to improve and expand its service offerings. The new site would also allow for greater future training and growth opportunities due to its more efficient layout and space. The existing location and facility do not provide the level of opportunity provided at the new location.”

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons:

- The application is conforming to all statutory and regulatory criteria.
- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Addiction Recovery Care Association, Inc. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall relocate no more than 36 adult chemical dependency treatment beds.**

- 3. Upon completion of the project, Addiction Recovery Care Association shall be licensed for no more than 36 adult chemical dependency treatment beds.**
 - 4. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on February 1, 2021. The second progress report shall be due on June 1, 2021 and so forth.**
 - 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
 - 6. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
 - 7. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency 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.

The applicant proposes to relocate no more than 36 existing adult chemical dependency treatment (CDT) beds from the existing facility located at 1931 Union Cross Road in Winston-Salem to a facility located at 5580 Sturmer Park Circle in Winston-Salem.

Capital and Working Capital Costs

In Section Q, the applicant projects the total capital cost of the project as shown in the table below.

Site Preparation	\$43,610
Construction/Renovation Costs	\$528,958
Architectural/Engineering Fees	\$29,828
Consultant Fees	\$30,000
Total	\$632,396

In Section Q, Form F.1(a), the applicant provides the assumptions used to project the capital cost.

In Section F.3, pages 45-46, the applicant projects there will be \$42,710 in start-up costs and no initial operating expenses associated with the proposed project.

Availability of Funds

In Section F.2, page 44, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing		
Type	ARCA	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$0	\$0
Bonds	\$0	\$0
Other**	\$632,396	\$632,396
Total Financing	\$632,396	\$632,396

* OE = Owner's Equity

**The applicant states, "The results of this capital campaign along with ARCA's accumulated reserves are sufficient to fund the exempt relocation of services, simultaneously proposed relocation of CDT beds and the addition of 32 CDT beds proposed in this [sic] application."

In Exhibit F-2 (Tab 7), the applicant provides a letter dated July 10, 2020, from the Executive Director for ARCA documenting its intention to provide accumulated reserves to finance the proposed project. Exhibit F.4 contains a copy of the unaudited financial statements for ARCA for the year ended June 30, 2019 which indicate that ARCA had \$1.7 million in cash and cash equivalents as of June 30, 2019. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2, the applicant projects that revenues will exceed operating expenses in each of the first three full fiscal operating years of the project, as shown in the table below.

	Project Year 1 SFY2022	Project Year 2 SFY2023	Project Year 3 SFY2024
Total Patient Days of Care	19,670	20,600	21,350
Total Gross Revenues (Charges)	\$4,870,293	\$5,399,008	\$5,675,315
Total Net Revenue	\$4,736,050	\$5,250,718	\$5,250,327
Average Net Revenue per Case	\$241	\$255	\$259
Total Operating Expenses (Costs)	\$4,218,687	\$4,509,125	\$4,653,732
Average Operating Expense per Case	\$214	\$219	\$218
Net Income	\$517,362	\$741,594	\$866,596

Totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

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

The applicant proposes to relocate no more than 36 existing adult chemical dependency treatment (CDT) beds from the existing facility located at 1931 Union Cross Road in Winston-Salem to a facility located at 5580 Sturmer Park Circle in Winston-Salem.

N.C.G.S. §131E-176(24a) states: “Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.” On page 369, the 2020 SMFP states, “A chemical dependency treatment bed’s service area, for purposes of the State Medical Facilities Plan, is the substance use disorder services region in which the bed is located. Regions are comprised of Licensed Management Entities-Managed Care Organizations (LME-MCO). The North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services of the Department of Health and Human Services establishes the LME-MCOs. Table 15B lists the LME-MCOs and their constituent counties that comprise the three regions for substance use disorder services.” In Table 15B, page 373 of the 2020 SMFP, Forsyth County is included in the Central Region of the state. Thus, the service area for this facility consists of counties in the Central Region on Table 15B. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved adult chemical dependency (substance use disorder) beds located in the Central Region, from page 372 of the 2020 SMFP.

LME/MCO	COUNTY	FACILITY	# BEDS IN PLANNING INVENTORY	LICENSED BEDS
SANDHILLS CENTER				
Residential	Guilford	Daymark Guilford Treatment Facility	40	40
	Guilford	Lodge II (Fellowship Hall)	15	15
	Guilford	Mose Kiser Jr. Lodge (Fellowship Hall)	24	24
	Richmond	Samaritan Colony	12	12
	Richmond	Samaritan Women’s Recover	14	0
Hospital	Guilford	High Point Regional Hospital	4	4
	Guilford	Fellowship Hall	60	60
	Moore	FirstHealth Moore Regional Hospital	14	14
ALLIANCE BEHAVIORAL HEALTHCARE				
Hospital	Wake	Holly Hill Hospital	28	28
	Wake	Triangle Springs	34	34
	Cumberland	Cape Fear Valley Medical Center	4	4
Cardinal Innovations Healthcare Solution				
Residential	Davidson	Path of Hope-Men	12	12
	Davidson	Path of Hope-Women	6	6
	Forsyth	Addiction Recovery Care Association	36	36
	Forsyth	Old Vineyard Youth Services	4	4
	Mecklenburg	Anuvia Prevention & Recovery Center	32	32
	Mecklenburg	McLeod Addictive Disease Center	30	30
Hospital	Mecklenburg	Carolinas Medical Center	11	11
	Rowan	Novant Health Rowan Medical Center	15	15

Source: Table 15A, 2020 State Medical Facilities Plan.

In Section G.3, page 51, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved services in the proposed service area. The applicant states:

“The relocation of beds will continue to serve the same service area, while also providing better access for the patients ARCA currently serves. There will not be any unnecessary duplication, because ARCA is not adding beds or changing service areas. This project simply represents a relocation of existing services.”

The applicant adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There applicant does not propose to increase the inventory of adult chemical dependency treatment beds in Forsyth County (Central Region).
- The applicant adequately demonstrates that the adult CDT beds proposed are needed in addition to the existing or approved CDT beds in Forsyth County (Central Region).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information that was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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 Q, Form H, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services through the first three operating years of the project as illustrated in the following table.

ARCA Current and Projected Staffing (FTE)				
Position	Current (6/30/20)	FY1 (SFY2022)	FY2 (SFY2023)	FY3 (SFY2024)
Registered Nurses	12.16	16.37	16.37	16.37
Certified Counselors	7.67	7.67	7.67	7.67
Dietary	2.41	2.91	2.91	2.91
Medical Records	1.03	1.03	1.03	1.03
Transportation	6.44	6.44	6.44	6.44
Laundry and Linen	0.57	0.57	0.57	0.57
Housekeeping	0.00	1.50	1.50	1.50
Maintenance	1.03	1.03	1.03	1.03
Administration	10.34	12.34	12.34	12.34
Certified Nursing Assistant	4.20	8.41	8.41	8.41
Clinical Support and Security	2.48	3.48	3.48	3.48
Totals*	48.30	61.80	61.80	61.80

Source: Form H in Section Q of the application.

*Totals may not foot due to rounding

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, page 52, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs. In Exhibit H-4 (Tab 12), the applicant provides a letter from the medical director for ARCA indicating an interest in continuing as the medical director for the proposed services.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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.

In Section I.1, page 54, the applicant states ARCA currently provides all of the ancillary and support services necessary for the proposed services. The applicant states,

“ARCA receives ancillary services from the Medical Director, Dr. Keshavpal Reddy, the Family Nurse Practitioner, Dr. Anthony Steele, and the Pharmacist, Dr. Kenneth W. Keever. There are no other existing or proposed ancillary and support services.”

In Section I.1, page 54, and Exhibits H-4 and I-1, the applicant adequately explains how each ancillary and support service will be made available. In Section I.2, page 54, the applicant describes its existing relationships with other local health care and social service providers. The applicant provides supporting documentation in Exhibits B-3, C-4, and I-2.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (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 Section K.2, page 57, the applicant states the project involves renovating 12,153 square feet of existing space in the existing hospital. Line drawings are provided in Exhibit K-2 (Tab 15).

In Section K.3, page 58, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

In Section K.3, page 58, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

In Section K.3, page 58, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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 L.1, page 62, the applicant provides the historical payor mix for ARCA's existing CDT beds for the SFY2019, as shown in the table below.

Payor Source	CDT Beds Percent of Total Days of Care
Self-Pay	1.3%
Insurance	6.4%
Other*	92.3%
Total	100.0%

*Applicant states the "Other" category includes "Local Management Entities – Managed Care Organizations (LME-MCOs) that manage the care of Medicaid beneficiaries who receive services for mental health, developmental disabilities or substance use disorders."

In Section L.1, page 61, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility during the Last Full FY2019	Percentage of the Population of the Service Area
Female	28.40%	51.69%
Male	71.60%	48.31%
Unknown	0.0%	0.0%
64 and Younger	99.8%	84.35%
65 and Older	0.02%	15.65%
American Indian	0.31%	0.49%
Asian	0.15%	3.94%
Black or African-American	23.44%	22.99%
Native Hawaiian or Pacific Islander	0.0%	0.06%
White or Caucasian	73.51%	63.90%
Other Race	1.98%	8.61%
Declined / Unavailable	0.0%	0.0%

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents 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. 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

In Section L.2, pages 62-63, the applicant states the facility is not obligated under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons, nor have there been any civil rights access complaints filed against it.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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 L.3, page 63, the applicant projects the following payor mix during the third full fiscal year (SFY2024) of operation following completion of the project, as illustrated in the following table.

Payor Source	CDT Beds Percent of Total Days of Care
Self-Pay	0.5%
Insurance	7.5%
Other*	92.0%
Total	100.0%

*Applicant states the "Other" category includes "LME-MCOs and Federal Probation, local county and law enforcement."

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.5 percent of total services will be provided to self-pay patients and 92.0 percent to patients referred by LME-MCOs and Federal Probation, local county and law enforcement. On pages 63-64, the applicant states,

“Approximately 80 percent of ARCA’s clients do not have insurance, cannot afford treatment, or are indigent. These clients are funded through LME-MCO contracts with Cardinal, Partners, Sandhills, and others. Clients who do have income may pay for a portion of services based on a managed care organization defined sliding scale which includes number of people in household and income.”

In Section L.3, page 63, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the applicant’s historical experience.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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 L.5, page 64, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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 M.1, page 65, the applicant describes the extent to which health professional training programs in the area have access to the proposed health services for training purposes. The applicant provides supporting documentation in Exhibit M-2 (Tab 18).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, 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.

C

The applicant proposes to relocate no more than 36 existing adult chemical dependency treatment (CDT) beds from the existing facility located at 1931 Union Cross Road in Winston-Salem to a facility located at 5580 Sturmer Park Circle in Winston-Salem.

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” On page 369, the 2020 SMFP states, “*A chemical dependency treatment bed’s service area, for purposes of the State Medical Facilities Plan, is the substance use disorder services region in which the bed is located. Regions are comprised of Licensed Management Entities-Managed Care Organizations (LME-MCO). The North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services of the*

Department of Health and Human Services establishes the LME-MCOs. Table 15B lists the LME-MCOs and their constituent counties that comprise the three regions for substance use disorder services.” In Table 15B, page 373 of the 2020 SMFP, Forsyth County is included in the Central Region of the state. Thus, the service area for this facility consists of counties in the Central Region on Table 15B. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved adult chemical dependency (substance use disorder) beds located in the Central Region, from page 372 of the 2020 SMFP.

LME/MCO	COUNTY	FACILITY	# BEDS IN PLANNING INVENTORY	LICENSED BEDS
SANDHILLS CENTER				
Residential	Guilford	Daymark Guilford Treatment Facility	40	40
	Guilford	Lodge II (Fellowship Hall)	15	15
	Guilford	Mose Kiser Jr. Lodge (Fellowship Hall)	24	24
	Richmond	Samaritan Colony	12	12
	Richmond	Samaritan Women’s Recover	14	0
Hospital	Guilford	High Point Regional Hospital	4	4
	Guilford	Fellowship Hall	60	60
	Moore	FirstHealth Moore Regional Hospital	14	14
ALLIANCE BEHAVIORAL HEALTHCARE				
Hospital	Wake	Holly Hill Hospital	28	28
	Wake	Triangle Springs	34	34
	Cumberland	Cape Fear Valley Medical Center	4	4
Cardinal Innovations Healthcare Solution				
Residential	Davidson	Path of Hope-Men	12	12
	Davidson	Path of Hope-Women	6	6
	Forsyth	Addiction Recovery Care Association	36	36
	Forsyth	Old Vineyard Youth Services	4	4
	Mecklenburg	Anuvia Prevention & Recovery Center	32	32
	Mecklenburg	McLeod Addictive Disease Center	30	30
Hospital				
	Mecklenburg	Carolinas Medical Center	11	11
	Rowan	Novant Health Rowan Medical Center	15	15

Source: Table 15A, 2020 State Medical Facilities Plan.

Regarding the expected effects of the proposal on competition in the service area, in Section N.1, page 66, the applicant states:

“ARCA does not expect any negative effects on the competition in the proposed service area. ARCA is the only facility that primarily serves the underserved populations in the proposed service area, who are covered by a combination of MCOs, county, law enforcement, or charity care.”

Regarding the impact of the proposal on cost effectiveness, in Section N.2, page 66, the applicant states:

“ARCA is known for providing a significant amount of indigent care to its patients. Very few patients are covered by traditional third party insurance carriers or private pay. This trend will continue upon approval of this proposed project. Furthermore, ARCA chose to relocate to an existing structure as opposed to doing all new construction. The facility at the proposed new location will require minimal upfitting to meet the standards for the services offered by ARCA. The minimal upfitting will result in savings for ARCA, which subsequently allows ARCA to continue to provide quality indigent care to its patients.”

Regarding the impact of the proposal on quality, in Section N.2, page 66, the applicant states:

“The relocation of ARCA will allow them to provide higher quality of care and be able to serve more people. The larger facility will allow for more services to be offered to patients.”

Regarding the impact of the proposal on access by medically underserved groups, in Section N.2, page 66, the applicant states:

“ARCA primarily serves uninsured and low income populations. ARCA plans to continue primarily serving uninsured and low income patients. At the proposed location, patients will have easier access to the facility because of the more convenient placement next to major thoroughways and on the bus line.”

Considering all the information in the application, the applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on:

- Cost-effectiveness (see Sections C, F, N and Q of the application and any exhibits)
- Quality (see Sections C, N and O of the application and any exhibits)
- Access to medically underserved groups (see Sections L and N of the application and any exhibits)

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on the reasons stated above.

- (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 A.10, page 9, the applicant identifies ARCA as the only facility with chemical dependency treatment beds owned or managed by the applicant.

In Section O.3, pages 68-69, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred at ARCA. According to the files in the Mental Health Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in the facility. After reviewing and considering information provided by the applicant and by the Mental Health Licensure Section and considering the quality of care provided at ARCA, the applicant provided sufficient evidence that quality care has been provided in the past. 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 Substance Abuse/Chemical Dependency Treatment Beds promulgated in 10A NCAC 14C .2500. The specific criteria are discussed below.

10A NCAC 14C .2503 PERFORMANCE STANDARDS

- (a) An applicant proposing additional intensive treatment beds shall not be approved unless the overall occupancy, over the nine months immediately preceding the submittal of the application, of the total number of intensive treatment beds within the facility in which the beds are to be located has been:*
- (1) 75 percent for facilities with a total of 1 through 15 intensive treatment beds; or*
 - (2) 85 percent for facilities with a total of 16 or more intensive treatment beds.*

-NA- The applicant is not proposing additional intensive treatment beds.

(b) An applicant shall not be approved unless the overall occupancy of the total number of intensive treatment beds to be operated in the facility is projected by the fourth quarter of the third year of operation following completion of the project, to be:

- (1) 75 percent for facilities with a total of 1 through 15 intensive treatment beds; or*
- (2) 85 percent for facilities with a total of 16 or more intensive treatment beds.*

-C- The applicant projects that the overall occupancy of the chemical dependency treatment beds to be operated in the facility will be in excess of 85% prior to the third year of operation. See Criterion (3) for discussion, which is incorporated herein by reference.

(c) The applicant shall document the specific methodology and assumptions by which occupancies are projected, including the average length of stay and anticipated recidivism rate.

-C- The applicant provides the assumptions and methodology in Section C of the application. The applicant provides the average length of stay and the anticipated recidivism rate in Section C.8, page 37.