

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: January 18, 2023

Findings Date: January 18, 2023

Project Analyst: Tanya M. Saporito

Co-Signer: Mike McKillip

Project ID #: J-12265-22

Facility: WakeMed Behavioral Health Center

FID #: 220582

County: Wake

Applicant(s): WakeMed

WakeMed Behavioral Health Services, LLC

Project: Develop a psychiatric hospital by relocating no more than 50 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and developing no more than 100 additional inpatient psychiatric beds for a total of no more than 150 inpatient psychiatric beds upon project completion

REVIEW CRITERIA

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

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

C

WakeMed (WakeMed) and WakeMed Behavioral Health Services, LLC, (WMBHS) hereinafter collectively referred to as the “applicant”, propose to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults with psychiatric and substance use disorder diagnoses.

WakeMed Behavioral Health Services, LLC is wholly owned by WakeMed, a 975-bed healthcare system that operates multiple hospitals and outpatient facilities located primarily in Wake County. Although WakeMed, as an existing hospital system, has experience treating and evaluating behavioral health patients, neither WakeMed nor WBHC currently provides psychiatric inpatient services. The proposed behavioral health center will be a hospital dedicated to psychiatric inpatient services in Wake County.

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 2022 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

Policies

There are three policies in the 2022 SMFP which are applicable to this review: Policy MH-1: Linkages between Treatment Settings, Policy PSY-1: Transfer of Beds from State Psychiatric Hospitals to Community Facilities and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy MH-1: Linkages between Treatment Settings, on pages 26-27 of the 2022 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-14 contains a copy of a letter from Rick Shrum, Vice President and Chief Strategy Office for WakeMed to Alliance Health, the local management entity-managed care organization (LME/MCO) serving Wake, Cumberland, Durham, Johnston, Mecklenburg and Orange counties, introducing the proposed project and the proposed services. Exhibit I-2.2 provides a letter of support from Alliance Health for the proposed project. Therefore, the application is consistent with Policy MH-1.

Policy PSY-1: Transfer of Beds from State Psychiatric Hospitals to Community Facilities, on page 27 of the 2022 SMFP 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 Certificate of Need of the North Carolina Department of Health and Human

Services and commit to serve the type of short-term patients normally placed at the state psychiatric hospitals. To help ensure that relocated beds will serve those people who would have been served by the state psychiatric hospitals, a proposal to transfer beds from a state hospital shall include a written memorandum of agreement between the local management entity-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 has submitted a CON application proposing to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County.

WakeMed was awarded 50 psychiatric inpatient beds in 2019 when Broughton Hospital opened and the Division of State Operated Healthcare Facilities identified a group of facilities that could apply for a CON to relocate beds that remained in state-operated facilities pursuant to Policy PSY-1. The proposed dedicated inpatient psychiatric facility will be licensed for 150 inpatient psychiatric beds: 120 adult and 30 child/adolescent beds. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults with psychiatric and substance use disorder diagnoses.

In Section B, pages 33-34, the applicant documents the relationship between WakeMed and Alliance Health and the commitment to serve those patients who would have been served at a state psychiatric hospital.

On page 33, the applicant states:

“WakeMed has worked closely with the North Carolina department of Health and Human Services (NC DHHS) and Alliance Health to develop the proposed project, and to ensure that the needs of patients normally placed at State-owned psychiatric hospitals will be met. WakeMed currently serves, and will continue to serve through the proposed project, patients with mental illness who are also indigent or Medicaid beneficiaries, which are the patients who often are placed [in] state psychiatric facilities.”

In Exhibit B-14 the applicant provides documentation of the 50 psychiatric inpatient beds awarded in 2019. In Exhibit B-15, the applicant provides a copy of the Memorandum of Agreement between Alliance Health LMC/MCO, NCDHHS and WakeMed. The application is consistent with Policy PSY-1.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities on pages 30-31 of the 2022 SMFP states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall

include in its certificate of need application a written statement describing the project's plan to assure improved energy efficiency and water conservation.

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

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

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 35-36, the applicant describes its plan to assure improved energy efficiency and water conservation. On page 35, the applicant states:

"The facility will incorporate energy-efficient windows and insulation to maximize energy efficiency. Heating and HVAC systems will be high-efficient units, and will reflect the best technology available on the market. The design will incorporate HVAC 'zones' whereby the systems will have an improved sensitivity to the temperature and humidity in the area served, taking into account people and equipment loads as well as peripheral loads (e.g. exterior walls and windows, internal walls, etc.). The installation of a state-of-the-art building management system will provide the necessary air monitoring devices to ensure temperature humidity and room pressurization criteria are optimized.

...

WBHC will be designed and constructed keeping with WakeMed's commitment to designing its new and renovated facilities to meet the Leadership in Energy and Environmental Design (LEED) certification criteria, as established by the U.S. Green Building Council (USGBC)."

Therefore, the application is consistent with Policy GEN-4.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information 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 following reasons:

- The applicant adequately demonstrates that the proposal is consistent with Policy MH-1, by providing documentation that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.
- The applicant adequately demonstrates that the proposal is consistent with Policy PSY-1 by documenting the availability of 50 psychiatric inpatient beds awarded in 2019 and by including 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.
- The applicant adequately demonstrates that the application is consistent with Policy GEN-4 by providing a written statement describing the project's plan to assure improved energy efficiency and water conservation.

(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, persons with disabilities, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults with psychiatric and substance use disorder diagnoses.

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.*” The 2022 SMFP does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any

applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility would be located in Knightdale in Wake County and will be served by the Alliance Health LME/MCO. Thus, the service area for this facility consists of counties served by Alliance Health, which are Cumberland, Durham, Johnston, Mecklenburg, Orange and Wake counties. Facilities may also serve residents of counties not included in their service area.

In Section C, page 42, the applicant states that WBHC is not an existing facility; therefore, there is no historical patient origin to report. In Section C, pages 43-44, the applicant provides tables to illustrate historical patient origin for existing facilities that have psychiatric inpatient beds in the Alliance Health LME-MCO. On pages 42-44 the applicant provides assumptions and methodology used to project patient origin at WBHC.

On page 43, the applicant states:

“Projecting patient origin for a new psychiatric facility like WBHC can be difficult, because many patients with behavioral health diagnoses who would utilize the facility do not provide a permanent address. The address of many mental health patients who were treated in the WakeMed Raleigh ED in FY 2021 was listed as ‘Streets of [City]”, “No Permanent Address.”, or was the address of a temporary shelter. It is not known whether these patients were Wake County residents, or if they originated from another county or state. Incomplete address information makes patient origin calculations less precise.

Because WBHC will be a new facility that will add 150 psychiatric beds and 54,750 available patient days in capacity to the state’s inpatient psychiatric inventory, patient origin at the new facility will likely represent a wider geographic area than that are represented by psychiatric patients who currently present to WakeMed’s emergency departments. Wake County is expected to comprise the largest proportion of cases, given its large population and the fact that WBHC will be located in Wake County. However, the size of the new facility and its proposed service mix is likely to attract referrals from a wider geographic region. Patients may be referred to WBHC from all parts of the state. WBHC will accept referrals from any county, regardless of age, gender, race/ethnicity or payer status, subject to bed availability and ability to meet a patient’s clinical needs.”

On page 45, the applicant provides a table to illustrate projected patient origin.

The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant relied on historical patient origin information from existing hospitals in the Alliance Health Care service area in which inpatient psychiatric beds are located.
- The applicant analyzed patient origin data specifically for inpatient psychiatric beds for both children/adolescents and adults.

- The applicant analyzed patient origin data specifically for patients with substance use disorders and dual diagnoses of psychiatric and substance use disorder issues in determining its projected patient origin in its service area.

Analysis of Need

In Section C, pages 46-57, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as follows:

- Projected population growth in the Alliance Health LME-MCO – The applicant examined population growth statistics for age groups 0-17, 18-64 and over 65 in the counties that comprise the Alliance Health area and determined that each age group is projected to increase between 2022-2029. The total population is projected to increase by a compound annual growth rate (CAGR) of 1.65% during that same time. WBHC proposes to serve both children/adolescents and adults, including geriatric patients, in the hospital (pages 47-49).
- Psychiatric bed utilization in the Alliance LME – Relying on data reported in 2022 hospital License Renewal Applications (LRAs), the applicant examined psychiatric bed utilization of all available psychiatric inpatient beds in the Alliance Health LME area. Overall utilization of the available beds as reported on the LRAs was 77.8%, with three facilities reporting over 95% utilization. In addition, the applicant states many emergency departments in acute care hospitals bear the brunt of emergency admissions for Medicaid patients or those without health insurance who are experiencing a mental health crisis. Emergency departments are not prepared to treat these patients (both adults and children/adolescents). The applicant states it will accept and treat those patients who are underinsured or uninsured and thus lessen the burden on hospital emergency departments while providing the care these patients need (pages 49-53).
- Benchmarks for behavioral health bed need – The applicant states that, while there is no standard for measuring the optimal number of inpatient psychiatric beds in a given geographical area, the number of these beds has declined both nationally and in North Carolina. The applicant cites a study conducted by psychiatric treatment advocacy groups, whose panel of experts was asked to estimate a minimum number of beds that would effectively serve a geographic region, assuming the existence of good patient outcomes. The applicant states the panel members unanimously estimated a need for 50 public psychiatric beds per 100,000 population, assuming the availability of good outpatient programs and patient outcomes. Currently, in the Alliance Health LME-MCO, the bed ratio is 22.68 beds per 100,000 population. With the existing and proposed in the Alliance Health area, that ratio would potentially increase to 26.8 beds per 100,000 population (pages 53-55).
- Site selection for the proposed hospital – The applicant examined projected population growth in the service area, as well as major highway construction projects such as Interstate 540, which will connect many of the region's major cities and rural areas. The site the applicant chose is located southeast of Raleigh, six miles from the

WakeMed Raleigh campus and close to the proposed 540 loop and other major roads. This location will serve not only the referrals coming from WakeMed, but also the population in the outlying areas outside of Raleigh that are served by the Alliance Health LME and easily accessible by major highways (pages 55-56).

- WakeMed’s commitment to mental health and wellbeing – The applicant explains how the WakeMed leadership has demonstrated commitment to the area population’s mental health and substance abuse treatment needs for many years. The proposed dedicated inpatient psychiatric and substance abuse hospital, designed to treat all age groups, will solidify the applicant’s commitment to treating the population in the Alliance Health LME area who are in need of those services (page 56).

The information is reasonable and adequately supported based on the following:

- The information relative to the need for inpatient psychiatric and substance abuse care in the Alliance Health LME-MCO service area is based upon published statistical data on mental health in North Carolina and in the counties served by Alliance.
- The applicant provides published and reliable data on the increasing demand for inpatient psychiatric and substance abuse services for children/adolescents, adults and geriatric patients in the state and the service area.
- The applicant provides published and reliable data regarding the need for additional inpatient substance abuse and psychiatric beds in the area it proposes to serve.
- The area hospitals that have inpatient psychiatric beds reported over 75% utilization on their 2022 LRAs, demonstrating high occupancy rates and a need for additional beds in a freestanding, dedicated psychiatric facility.

Projected Utilization

In Section Q, Form C.1b, the applicant provides projected utilization for WBHC for the first three full fiscal years (FY), FY 2027-FY 2029 (October 1-September 30), as illustrated in the following table:

WakeMed Behavioral Health Center Projected Utilization, FY 2027-FY 2029

| WMBHH | 1ST FY 10/1/2026- 9/30/2027 | 2ND FY 10/1/2027- 9/30/2028 | 3RD FY 10/1/2028- 9/30/2029 |
|--|---|---|---|
| Adult Psychiatric Beds | | | |
| # Beds | 120 | 120 | 120 |
| # Admissions | 4,744 | 5,289 | 5,907 |
| # Patient Days | 28,835 | 32,485 | 36,500 |
| ALOS* | 6.1 ¹ | 6.1 | 6.2 |
| Occupancy Rate | 65.8% | 74.2% | 83.3% |
| Child/Adolescent Psychiatric Beds | | | |
| # Beds | 30 | 30 | 30 |
| # Admissions | 609 | 761 | 761 |
| # Patient Days | 7,303 | 9,129 | 9,129 |
| ALOS* | 12.0 | 12.0 | 12.0 |
| Occupancy Rate | 66.7% | 83.4% | 83.4% |
| Total Facility Beds | | | |
| # Beds | 150 | 150 | 150 |
| # Admissions | 5,353 | 6,050 | 6,668 |
| # Patient Days | 36,138 | 41,614 | 45,629 |
| ALOS* | 6.8 | 6.9 | 6.8 |
| Occupancy Rate | 66.0% | 76.0% | 83.3% |

*Average Length of Stay

¹In the table in the application, the applicant inserted “161.0”. The Project Analyst determined this was a typographical error based on the remainder of the information in the table [28,835 patient days/4,744 admissions = 6.08].

Numbers may not sum due to rounding.

In Section Q, page 132, the applicant summarizes the utilization assumptions as follows:

“WBHC is a new facility, and thus has no historic utilization. Projected utilization is based on the experience of WakeMed’s Mental Health & Well-Being leadership team in treating and referring behavioral health patients for admission to dedicated psychiatric facilities. Although the Agency no longer distinguishes between Adult and Child/Adolescent beds in the annual SMFP, there are differences in assumptions regarding projected referral sources and average lengths of stay between these patient populations.”

On pages 132-136, the applicant provides its assumptions and methodology used to project utilization, as summarized below:

Step 1: Project Adult Admissions by Referral Source

- WakeMed facilities: The applicant expects to receive referrals from many sources in the Alliance Health LME-MCO, from WakeMed facilities, and from other LME-MCOs, physicians and other referral sources as appropriate. The applicant states in FY 2021, WakeMed emergency departments treated an average of 9.6 adult patients per day “who met the diagnostic criteria for admission to an inpatient psychiatric

hospital.” The applicant assumes approximately 70% of those patients, or 6.72 patients per day, would be admitted to WBHC in the first three project years. The applicant states this number represents approximately 51% of total admissions from WakeMed in PY 1, and approximately 41% by PY 3.

- Other facilities in the Alliance Health LME-MCO area: Again relying on WakeMed’s experience and analysis of historical patient origin for behavioral health patients presenting to the emergency department, the applicant projects that approximately one-third of its adult inpatient psychiatric referrals will come from other facilities located in the Alliance Health LME-MCO area. In project year (PY) one, that equates to 4.42 adult patients, increasing to 5.5 patients per day by PY three.
- Other organizations located outside the Alliance Health LME-MCO area: The applicant projects that initially, WBHC will receive approximately 1.86 patients per day from referrals from organizations elsewhere in the state, increasing to approximately 3.96 patients per day by PY three. The applicant states these numbers represent approximately 15% of total adult admissions in PY 1 and increasing to approximately 25% of adult admissions by PY 3.

The applicant provides a table on page 133 to illustrate these projections.

Step 2: Project Average Length of Stay

- All patients: The applicant proposes to tailor its programs to specific age groups and diagnoses. The applicant relies on its experience with admitting and treating behavioral health patients in all age groups and projects an average length of stay (ALOS) for all age groups based on that experience. The applicant provides a table on page 134 to illustrate projected ALOS for all age groups.

Step 3: Project Adult Patient Days by Referral Source

- Relying on projected admissions and ALOS calculated in Steps 1 and 2, the applicant projects the average daily census for adult patients in all three project years. The applicant provides a table on page 134 to illustrate adult patient days by referral source.

Step 4: Project Adolescent Admissions by Referral Source

The applicant proposes to use 30 of the proposed inpatient psychiatric beds to develop an Adolescent program geared toward patients ages 13-17. As with its adult program, the applicant projects those referrals to come from different sources, consistent with its experience with adolescent behavioral health admissions to emergency departments.

- Referrals from WakeMed facilities – Based on its internal FY 2021 data for adolescent emergency department admissions, the applicant projects that approximately 30% of its historical daily adolescent psychiatric facility-eligible patients would be appropriate

for referral to an inpatient psychiatric hospital. The applicant projects the admissions, at approximately 0.54 per day, to remain constant through all three project years.

- Referrals from other organizations in the Alliance Health LME-MCO – Based on the facility’s proposed location, high historical utilization of existing psychiatric facilities within the Alliance Health LME-MCO, and data that shows referral to these facilities, the applicant projects that approximately one-third of its adolescent patients will originate from other referral sources within the Alliance Health LME-MCO. The applicant states this equates to 0.67 patients per day in PY 1, increasing to 0.81 patients per day in PY 3.
- Referrals from sources outside the Alliance Health LME-MCO – The applicant examined patient origin data in LRAs from hospital-based and freestanding psychiatric beds in North Carolina and found that approximately 50% of the patients in these facilities originated from outside their home LME-MCO area. The applicant projects that, based on the dedicated facility it proposes and the data it collected, it will receive referrals from all over the state. The applicant states this equates to 0.46 patients per day in PY 1, increasing to 0.71 patients per day in PY 3. The applicant provides a table on page 135 to illustrate adolescent admissions in all three project years.

Step 5: Project Adolescent Bed Utilization

- Based on its own experience with its Mental Health and Well-Being leadership and other information, the applicant projects ALOS for its adolescent patients will remain constant in all three project years. The applicant provides a table on page 136 to illustrate projected adolescent bed utilization in all three project years.

Step 6: Project Total Utilization for WBHC

- Using the assumptions from Steps 1-5, the applicant projects total utilization of all age groups and all referral sources. The applicant provides a table on page 136 to illustrate these projections.

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

- The applicant has experience in admitting and treating behavioral health patients in all age groups it proposes to serve.
- The applicant has experience in operating inpatient adult and child/adolescent inpatient psychiatric beds in its hospital system.
- The applicant bases the projected ALOS on its experience with inpatient behavioral health patients and data it collected from hospital LRAs.

- The applicant uses population growth data and data regarding mental health disorders and treatment utilization for its service area and the overall Alliance Health service area as a basis for its projections.

Access to Medically Underserved Groups

In Section C, page 62, the applicant states:

“As a private, not-for-profit hospital system, WakeMed ensures access to health care services for all patients, regardless of income, payer status, gender, race, ethnicity, or physical handicap. WakeMed has long been committed to improving patient access. WakeMed was founded in 1961 as a Hill-Burton hospital and was the first integrated medical facility in the community. The system was initially comprised of a tertiary central campus in Raleigh and four community hospitals located in Wake Forest, Apex, Zebulon, and Fuquay-Varina. These facilities provided access and dramatically improved the quality of life in those communities.”

In Exhibit L-4 the applicant provides a copy of WakeMed’s Financial Assistance Policy. On pages 62-72 the applicant documents its efforts to serve the region’s underserved populations and the community organizations with which it is and will continue to be involved.

On page 72, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

| MEDICALLY UNDERSERVED GROUPS | PERCENTAGE OF TOTAL PATIENTS IN THE 3RD FULL FISCAL YEAR |
|-------------------------------------|--|
| Low income persons | 7.3% |
| Racial and ethnic minorities | 55.9% |
| Women | 50.8% |
| Persons with disabilities | NA |
| Persons 65 and older | 21.6% |
| Medicare beneficiaries | 24.0% |
| Medicaid recipients | 24.5% |

The applicant states data represents FY 2021 percentages for behavioral health patients presenting to WakeMed’s emergency departments.

The applicant does not collect patient data for persons with disabilities.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services because it is based on the applicant’s experience in its existing licensed hospitals and the behavioral health patients it has served in those hospitals.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information 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 all the reasons described above.

- (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, persons with disabilities, and other underserved groups and the elderly to obtain needed health care.

NA

The applicant does not propose to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

- (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 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults.

In Section E, page 73, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo – The applicant states this was not an effective alternative because it fails to effectively address the increasing problem of lack of access to inpatient psychiatric services in North Carolina, the long wait times for admission to a psychiatric bed and the over-burdened emergency departments in hospitals when patients in a mental health crisis are admitted.
- Develop the beds at the WakeMed Raleigh campus – The applicant states this is not an effective alternative because the existing footprint of the WakeMed Raleigh campus is not only currently dedicated to planned growth but is also not conducive to the needs of psychiatric patients.

- Develop the beds at a different WakeMed campus – The applicant states this is not an effective alternative because neither WakeMed Cary nor WakeMed North treat the volume of behavioral health patients that WakeMed Raleigh does. Additionally, the applicant states it would prefer to reserve future development on these campuses to acute care services.
- Develop fewer psychiatric beds – The applicant considered developing the project with only the 50 beds awarded in 2019, but states that this is not an effective alternative because it is neither financially viable nor adequately scaled to meet the behavioral health needs of the residents in the Alliance Health LME-MCO.

On page 73, the applicant states that its proposal is the most effective alternative because *“WakeMed Behavioral Health Center will be designed to create an environment that specifically meets the needs of patients with behavioral health diagnoses, and will allow clinicians to more effectively treat patients with a wide range of diagnoses.”*

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

- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.
- The applicant provides reliable data to support the project as proposed.
- The application is conforming to all statutory and regulatory review criteria. Therefore, the application can be approved.

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. WakeMed and WakeMed Behavioral Health Services, LLC (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 50 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds to develop a new, freestanding inpatient psychiatric hospital, WakeMed Behavioral Health Center for a total of no more than 150 inpatient psychiatric beds upon project completion.**

- 3. Upon completion of the project, WakeMed Behavioral Health Center shall be licensed for no more than 150 inpatient psychiatric beds.**
 - 4. The certificate holder shall accept patients requiring involuntary admission for inpatient psychiatric services at WakeMed Behavioral Health Center.**
 - 5. 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. The first progress report shall be due on July 1, 2023.**
 - 6. 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.**
 - 7. 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.**
 - 8. 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.

C

The applicant proposes to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicant projects the total capital cost of the project as shown below in the table:

| Proposed Capital Cost | | | |
|------------------------------|--|--------------------|----------------------|
| | WAKEMED BEHAVIORAL HEALTH SERVICES, LLC | WAKEMED | TOTAL |
| Land | | \$5,950,000 | \$5,950,000 |
| Site Costs | \$9,500,000 | | \$9,500,000 |
| Construction Costs | \$77,173,571 | | \$77,173,571 |
| Miscellaneous Costs | \$44,864,219 | | \$44,864,219 |
| Total | \$131,537,790 | \$5,950,000 | \$137,487,790 |

In Section Q, page 138 the applicant provides the assumptions used to project the capital cost.

The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Construction costs are based on the architect’s and civil engineer’s experience in developing behavioral health facilities in North Carolina and in the service area.
- Contingency fees, construction and escalation factors were assumed to be 16.1% of the total project cost to allow for unforeseen changes in site, permitting, construction inflation, delays and supply chain issues.
- Miscellaneous costs include IT, security, project testing, and associated costs.
- Capitalized interest during construction is based on WakeMed’s experience in long-term debt financed projects.

In Section F, page 85, the applicant projects that start-up costs will be \$4,965,425 and initial operating expenses will be \$3,601,165, for a total working capital of \$8,566,593. On page 85 and in Section Q, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the information regarding projected start-up costs and initial operating expenses provided on page 85 and in Section Q.

Availability of Funds

In Section F.2, page 83, the applicant states that the capital cost will be funded as shown in the table below:

Sources of Capital Cost Financing

| TYPE | WAKEMED BEHAVIORAL HEALTH SERVICES, LLC | WAKEMED | TOTAL |
|--|---|--------------------|----------------------|
| Loans | \$0 | \$0 | \$0 |
| Cash and Cash Equivalents, Accumulated reserves or OE* | \$0 | \$5,950,000 | \$5,950,000 |
| Bonds | \$131,537,790 | \$0 | \$131,537,790 |
| Other (Value of land currently owned by applicant)** | \$0 | \$0 | \$0 |
| Total Financing | \$131,537,790 | \$5,950,000 | \$137,487,790 |

*OE = Owner's Equity

In Section F, page 86, the applicant states that the total working capital of \$8,566,593 will be financed through the accumulated reserves of WakeMed.

In Exhibit F-2.2, the applicant provides audited financial statements from WakeMed documenting the availability of sufficient funds to cover the proposed capital and working capital needs of the project. In Exhibit F-3, the applicant provides a letter dated August 10, 2022, from the Executive Vice President and Chief Financial Officer of WakeMed that documents WakeMed's intention to provide the funds necessary to cover all of its portion of the capital and working capital costs of the proposed project. In Exhibit F-2.1, the applicant provides a letter dated August 10, 2022, from the Managing Director of H2C Securities, Inc. that documents the availability of bond financing in an amount necessary to cover the stated amount of capital and working capital costs for the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the following:

- Exhibit F-2.2 provides documentation of sufficient funding through audited financial statements.
- Exhibit F-2.3 provides a commitment letter from WakeMed demonstrating the intention to commit the funds available and necessary for the project as proposed.
- Exhibit F-2.1 provides documentation of bond financing in accordance with representations in the application.

Financial Feasibility

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

WakeMed Behavioral Health Center Total Facility

| | 1ST FULL FISCAL YEAR (10/1/2026- 9/30/2027) | 2ND FULL FISCAL YEAR (10/1/2027- 9/30/2028) | 3RD FULL FISCAL YEAR (10/1/2028- 9/30/2029) |
|---|---|---|---|
| Total Patient Days | 36,138 | 41,614 | 45,629 |
| Total Gross Revenues (Charges) | \$102,744,068 | \$122,236,400 | \$138,336,049 |
| Total Net Revenue | \$39,491,985 | \$46,464,356 | \$52,255,125 |
| Average Net Revenue per Day of Care | \$1,093 | \$1,117 | \$1,145 |
| Total Operating Expenses (Costs) | \$43,095,417 | \$48,198,901 | \$1,808,382 |
| Average Operating Expense per Day of Care | \$1,193 | \$1,158 | \$1,135 |
| Net Income | (\$3,603,432) | (\$1,734,545) | \$446,743 |

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported because projected utilization is based on the following:

- The applicant accounts for projected operating expenses, such as salaries, consistent with projections elsewhere in the application.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which 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 for all the reasons described above.
 - The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.
 - 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 revenues and operating expenses for all the reasons described above.
- (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 relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults.

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.*” The 2022 SMFP does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility will be located in Wake County which is served by the Alliance Health LME/MCO. Thus, the service area for this facility consists of counties served by Alliance Health. Facilities may also serve residents of counties not included in their service area.

Pages 284-286 of the 2022 SMFP provide tables that illustrate existing and approved child/adolescent and adult inpatient psychiatric beds located in the Alliance Health LME service area. In Section G, page 91, the applicant provides a table to illustrate the hospitals and facilities with inpatient psychiatric beds that serve patients in the Alliance Health LME service area, and shows a total licensed bed inventory of 768, total patient days of 218,024, resulting in utilization of all existing licensed beds of 77.8% [(218,024 total patient days/365)/768 = 0.778].

In Section G, pages 91-92, 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:

“There are 768 licensed inpatient psychiatric beds located in the Alliance Health LME-MCO, which were utilized at 77.8 percent in FY 2021. Of this total, 395 licensed inpatient psychiatric beds are located in Wake County, which were utilized at 78.0 percent in FY 2021.

Psychiatric bed utilization is significantly higher in the Alliance Health LME-MCO and Wake County than the State average. The high utilization of psychiatric beds in Wake County and the Alliance LME service area indicate that the proposed project will not duplicate existing or approved health services.”

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

- The applicant adequately demonstrates that the proposed adult inpatient psychiatric beds are needed in the service area in addition to the existing or approved adult inpatient psychiatric beds in the service area.

- The applicant adequately demonstrates that the proposed child/adolescent inpatient psychiatric beds are needed in the service area in addition to the existing or approved child/adolescent inpatient psychiatric beds in the service area.

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 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

The applicant proposes to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults.

In Section Q, Form H, page 142 the applicant provides a table that illustrates projected full-time equivalent (FTE) staffing for the proposed services. The table includes 33 proposed positions and 256 full-time equivalent (FTE) positions in the first full fiscal year.

The assumptions and methodology used to project staffing are provided in Section Q on page 143. 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, pages 93-99, the applicant describes the methods to be used to recruit or fill new positions and its existing (at its existing facilities) training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant projects the initial and future FTE staffing positions necessary to accommodate the proposed healthcare services at WBHC.
- Salary adjustments and annual increases are accounted for in the budgeted Operating Costs.
- The methods used to recruit or fill new positions and the existing training and continuing education programs are provided in Section H and are based on the

applicant's experience with similar facilities and adult and child/adolescent inpatient psychiatric 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.

C

The applicant proposes to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults.

Ancillary and Support Services

In Section I, page 100, the applicant identifies the necessary ancillary and support services for the proposed inpatient psychiatric hospital. On pages 100-101, the applicant briefly explains how each ancillary and support service will be made available and provides supporting documentation in Exhibits I-1.1 and I-1.2. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant describes how ancillary and support services will be provided directly by the staff at WBHC.
- The applicant provides documentation from WakeMed President and CEO confirming the availability of the necessary ancillary and support services.
- The applicant provides information regarding the recruitment, retention and training of employees providing the support services.

Coordination

In Section I, pages 101-102 the applicant states the proposed psychiatric hospital is not yet existing and describes the existing and proposed relationships currently in place with WakeMed hospitals and with other local health care and social service providers. The applicant

provides support letters from area physicians in Exhibit I-2.1. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system because the applicant provides documentation that it has existing relationships with other local health care and social service providers.

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 all the reasons described above.

- (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.

- (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

The applicant proposes to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults.

In Section K, page 104, the applicant states that the project involves 153,833 square feet of new construction. Line drawings are provided in Exhibit K-1.

In Section K, pages 106-107, the applicant describes the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. Supporting documentation is provided in Exhibits K-4.1 and K-4.2. The site appears to be suitable for the proposed project based on the applicant's representations and supporting documentation.

In Section K, pages 104-105, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states the construction costs are based on a detailed review of the facility and patient needs and the knowledge, experience and expertise of the architects and engineers.
- WakeMed is an existing provider of health services in the area, and has experience with local, state and federal zoning and other requirements for developing health care facilities. Additionally, WakeMed works with local architectural and engineering firms that are versed in health care facility development.
- The applicant states that the hospital will be designed to incorporate the most cost-effective and energy-efficient design and means of construction.

In Section K, page 105, 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 based on the following:

- The proposed project will meet the growing demand for inpatient psychiatric services in the Alliance Health LME-MCO, in which the applicant states existing providers are effectively operating at or above capacity.
- The proposed facility will be a hospital specifically designed for inpatient psychiatric services, allowing for increased efficiency and lower operating costs.
- The proposed facility will more effectively meet the increasing demands for inpatient psychiatric services and provide a more cost-effective and clinically appropriate setting than acute care hospital emergency rooms.

In Section K, pages 105-106, 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 for all the reasons described above.

(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 persons with disabilities, 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;

NA

The applicant does not own, operate or manage an existing inpatient psychiatric facility in the service area. Therefore, Criterion 13(a) is not applicable to this review.

- (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 persons with disabilities to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

NA

WakeMed Behavioral Health Center is not an existing facility or campus. Therefore, Criterion 13(b) is not applicable to this review.

- (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, page 112, the applicant projects the following payor mix for the proposed services during the third full fiscal year (FY 2029) of operation following completion of the project, as shown in the table below:

**Projected Payor Mix
WakeMed Behavioral Health Center**

| PAYOR CATEGORY | % OF TOTAL PATIENTS SERVED |
|----------------|----------------------------|
| Self-Pay | 4.3% |
| Charity Care^ | NA |
| Medicare* | 28.0% |
| Medicaid* | 34.0% |
| Insurance* | 33.8% |
| Total | 100.0% |

*including any managed care plans.

^The applicant states on page 112 that Charity Care is included in the "Self-Pay" category and is defined as those patients who are unable to pay for all or part of their bill.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 4.3% of total services will be provided to self-pay patients (which includes charity care), 28.0% to Medicare patients, and 34.0% Medicaid patients.

In Section L, page 112, the applicant provides the assumptions and methodology used to project payor mix during the first three (3) full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following reasons:

- Projected payor mix is based on WakeMed's historical payor mix for those patients who present to its emergency departments; particularly those patients who require admission to an inpatient psychiatric facility.
- The applicant states a significant portion of WBHC's patients will be in the Medicaid or self-pay/uninsured category.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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, page 113, the applicant adequately describes the range of means by which patients will have access to the proposed services.

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

The applicant proposes to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults.

In Section M, pages 116-117, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- As an existing hospital system that currently serves inpatient psychiatric adult and child/adolescent patients, the applicant has training programs in place that it will use in the new proposed facility.
- The applicant states it plans to seek additional training affiliations with community colleges in the area.

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 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults.

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.*” The 2022 SMFP does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility will be located in Wake County which is served by the Alliance Health LME/MCO. Thus, the service area for this facility consists of counties served by Alliance Health. Facilities may also serve residents of counties not included in their service area.

Pages 284-286 of the 2022 SMFP provide tables that illustrate existing and approved child/adolescent and adult inpatient psychiatric beds located in the Alliance Health LME service area. In Section G, page 91, the applicant provides a table to illustrate the hospitals and facilities with inpatient psychiatric beds that serve patients in the Alliance Health LME service area, and shows a total licensed bed inventory of 768, total patient days of 218,024, resulting in utilization of all existing licensed beds of 77.8% $[(218,024 \text{ total patient days}/365)/768 = 0.778]$.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 118, the applicant states:

“The extent that a psychiatric facility ‘competes’ with other similar facilities is a function of its ability to treat patients more quickly, more effectively, and with greater patient satisfaction than other facilities in close proximity. A provider that has insufficient bed capacity, an inadequate facility, and limited ancillary and support services is less competitive than one that provides a full range of behavioral health services in a sufficiently sized and well-equipped facility. WBHC is designed to help meet the long-term needs of the Alliance Health region, whose population is growing rapidly, beyond Project Year 3.”

See also Section G of the application and any exhibits.

Regarding the impact on cost effectiveness, in Section N, pages 118-119, the applicant states:

“The project will be cost effective, because patients can be moved to WBHC from crowded acute care emergency departments and inpatient beds to a less expensive setting. Developing new bed capacity for behavioral health patients to transfer to a specialized facility takes advantage of economies of scale not available at an acute care facility.”

See also Sections B, C, F, K and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 119 the applicant states:

“Quality of care for patients with behavioral health diagnoses will be enhanced, as WBHC will be designed and staffed to treat specific patient populations in dedicated inpatient nursing units, in a setting that will encourage treatment and improvement in well-being. Clinical staff will be specifically trained to care for persons suffering from mental health crises.”

See also Sections B, C, L and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 119, the applicant states:

“Like other facilities in the WakeMed system, WBHC will provide services, as medically appropriate, to all patients, regardless of payer status, race/ethnicity, gender, physical handicap, or age.”

See also Sections B, C, L, O and Q of the application and any exhibits.

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, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

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.

NA

The applicant does not currently own or operate any inpatient psychiatric facilities in North Carolina. Therefore, this Criterion is not applicable to this review. However, in Section O, pages 121-127, the applicant describes the existing quality assurance measures currently undertaken by WakeMed hospitals and describes those same measures that will be in place when WBHC is operational.

- (21) Repealed effective July 1, 1987.

G.S. 131E-183 (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.

NA

The applicant proposes to relocate no more than 50 existing inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 and develop no more than 100 new inpatient psychiatric beds in a new facility, WakeMed Behavioral Health Center (WBHC), to be developed in Knightdale, in Wake County. Upon project completion, WBHC will be licensed for no more than 150 inpatient psychiatric beds, serving both adolescents and adults. There are no administrative rules that are applicable to the proposed project.