July 29, 2014

Ms. Martha Frisone, Interim Chief
Certificate of Need Section, DHSR
2704 Mail Service Center
Raleigh, NC 27699-2704

Re: Comments Veritas Collaborative LLC, CON Application Project I.D. #J-10307-14

Dear Ms. Frisone:

I am writing on behalf of University of North Carolina Hospitals at Chapel Hill to provide written comments regarding the CON application submitted by Veritas Collaborative LLC to develop a new psychiatric hospital facility in Durham County with 25 inpatient psychiatric beds to serve adult patients with eating disorders. These comments are submitted in accordance with N.C. GEN. STAT. § 131E-185(a1)(1). If you have any questions regarding these comments please contact me.

Sincerely,

David French
Consultant to University of North Carolina Hospitals at Chapel Hill

Comments Regarding Veritas Collaborative LLC CON Application Project I.D. #J-10307-14 Submitted by University of North Carolina Hospitals at Chapel Hill

The Veritas CON application proposes a new psychiatric hospital facility in Durham County with 25 inpatient psychiatric beds to serve adult patients with eating disorders. The project application does not adequately demonstrate the need for the proposed project due to unreliable and overstated utilization projections. Consequently the application is nonconforming to multiple CON review criteria as discussed in the following comments:

CON Review Criteria:

(1) The proposed project shall be consistent with applicable polices 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.

The Veritas application is nonconforming to Criterion 1 and Policy GEN-3 because the applicant did not adequately demonstrate the need the population has for the proposed hospital facility. As discussed in the Criterion 3 comments below, the utilization projections are not credible. Furthermore, as discussed in the Criterion 5 comments, the financial projections are not based on reasonable operational projections. Based on these circumstances, the application does not demonstrate that the project will maximize healthcare value as required by GEN-3.

The proposed project would not promote equitable access in accordance with Policy GEN-3 because the facility will lack Medicaid / Medicare certification. The application states that many patients with eating disorders include young adults including patients who are over the age of 18. If the Veritas facility were Medicaid / Medicaid certified then Medicaid coverage would extend to patients until age 21. Veritas also fails to describe any efforts to seek a Medicaid waiver to allow reimbursement for inpatient psychiatric services, as such a waiver has been obtained by Holly Hill Hospital (See CON Findings for Holly Hill, LLC Project #J-8816-12).

(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.

There are multiple reasons why the Veritas application is nonconforming to Criterion 3. The first deficiency is that the applicant fails to identify the counties of patient origin for the secondary service area that represents 40.4 percent of the total patient population in Year 1; it also fails to identify the state-specific patient origin data for the out-of-state patients that represent 45 percent of the total in Year 1.

A copy of the patient origin information from page 81 of the Veritas application is provided below.

Veritas Projected Adult IP ED Patients

	2017		2018		2019	
	Inpatients	% of Total	Inpatients	% of Total	Inpatients	% of Total
Wake Co.	15	10.1%	21	11.4%	27	12.7%
Durham Co.	5	3.0%	6	3.4%	8	3.7%
Orange Co.	2	1.5%	3	1.7%	4	1.9%
Primary SA	22	14.6%	30	16.5%	38	18.3%
Secondary SA	61	40.4%	79	43.5%	98	46.7%
Out of State	68	45.0%	73	40.0%	74	35.0%
Total Inpatients	**151**	100.0%	**183**	100.0%	**210**	100.0%

Totals may not foot due to rounding.

As seen in the table, the applicant projects to serve 61 patients in Year 1 and 79 patients in Year 2 who originate from unidentified counties in the secondary service area. This lack of specificity makes the patient origin data unreliable because the secondary service area is comprised of 97 counties, which have great variations in populations and geographical travel distances to the proposed facility in Durham. Lacking the names of the counties and numbers of patients from each of these counties makes it impossible to evaluate the reasonableness of the projections.

Veritas projects 68 out-of-state patients in Year 1 (45% of total) and 73 out-of-state patients in Years (40% of total). However, these projections do not identify the specific states and no assumptions are provided regarding populations, travel distances and the availability of existing inpatient psychiatric services and residential treatment facilities in other states to treat patients with eating disorders. The projected numbers of out-of-state patients lack credibility.

A second flaw in the application related to Criterion 3 is that Veritas' market share projections are unreasonable and overstated because the applicant does not plan to obtain Medicaid and Medicare certification. Without certification, the market share assumptions outlined in Steps 1 and 2 (on pages 74 to 77 of the Veritas application) greatly overstate the number of prospective patients because Veritas wrongly includes millions of Medicaid and Medicare patients in its demographic data. According to the application, Medicaid and Medicare patients can obtain limited access to the inpatient program through the Charity Care Policy but this is restricted to 1.25% to 1.5% of total operating expenses as documented on page 97. If these percentages are multiplied by the projected number of inpatients, then Veritas will admit no more than 2 to 3 patients per year for all of the potential Medicaid, Medicare and charity care patients with eating disorders.

Furthermore, the application fails to explain the market share estimates for Wake, Durham and Orange Counties. Veritas unreasonably projects the same market shares for the three counties even though Orange County has ten inpatient psychiatric beds for adult and pediatric patients with eating disorders while Wake and Durham do not have these types of dedicated inpatient psychiatric beds. The UNC Center of Excellence for Eating Disorders serves patients from throughout North Carolina. Furthermore, no patient with an eating disorder has been denied access to the UNC inpatient psychiatric beds due to the lack of availability of a bed.

The following table shows the market share projections included in the Veritas application. It is also unreasonable to assume that the applicant can capture up to 25 percent market share when the existing provider, UNC Hospitals, has existing referral relationships and can admit all payor categories of patients including Medicaid, Medicare and charity care patients.

Veritas Projected Adult IP ED Market Share

	2017	2018	2019
Wake Co.	15.0%	20.0%	25.0%
Durham Co.	15.0%	20.0%	25.0%
Orange Co.	15.0%	20.0%	25.0%
Secondary SA	7.0%	9.0%	11.0%

The market share percentages for the secondary service area are unreliable because the application does not identify the counties. Lacking the names of the counties and numbers of patients from each of these counties makes it impossible to evaluate the reasonableness of the projections.

Also, the utilization projections and projected days of care are unreliable because the application fails to provide any assumptions related to the number or percentage of patients that are expected to drop out of the program (discharged against medical advice). A review of the literature shows that patients with anorexia nervosa have between 33 to 50 percent likelihood to terminate inpatient treatment. [1]

Veritas' projected 40 days average length of stay is inconsistent with the ALOS that was provided in the Medical Facilities Planning Section Agency Report (Attachment 1). Table 5 of the Bed Need Projections from the Agency Report is provided below.

Table 5. Bed Need Projections Statewide and for Durham LME-MCO

Durham LME-MCO			Statewide		
Estimated Patients	Estimated Days of Care	Projected Bed Need (DoC/366)	Estimated Patients	Estimated Days of Care	Projected Bed Need (DoC/366)
34	378	1	1,180	12,983	35

For the Durham LME-MCO, dividing the 378 days of care by 34 patients equals an average length of stay of 11.1 days. The Statewide 12,983 days of care divided by 1180 patients equals an average length of stay of 11.0 days.

The Veritas ALOS is inconsistent with the experience of UNC Hospitals inpatient adult ALOS of 23.1 days. Also, the ALOS at the Johns Hopkins Eating Disorder Program is reported to range

[1] Woodside DB, Carter JC, Blackmore E: Predictors of premature termination of inpatient treatment for anorexia nervosa. American Journal of Psychiatry 161:2277-2281, 2004

between two to four weeks and then the patients are transitioned to a partial hospitalization program.[2]

(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.*

The Veritas application is nonconforming to Criterion 4 because the operational projections are unreliable as discussed regarding Criterion 3. Unreliable utilization projections cause the financial projections to be unreasonable. As a result the Veritas application fails to demonstrate that the proposed project is the most cost-effective alternative.

The application fails to evaluate the option of obtaining a Medicaid waiver or developing the project in a manner that the proposed inpatient adult psychiatric beds could be licensed as part of an acute care hospital. These alternatives would allow for Medicaid reimbursement and expanded access.

Veritas proposes to provide nasogastric feeding to patients but the application lacks documentation that this invasive procedure can be performed under its proposed licensure category. The request for the Declaratory Ruling included in Veritas Exhibit 4 documents the inability of the existing Veritas facility in Durham to provide nasogastric feeding to pediatric patients.

The Veritas application does not provide adequate justification or utilization projections for the partial hospitalization program that will be included in the proposed facility that is briefly mentioned in the scope of services on page 26.

(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 Veritas application is nonconforming to Criterion 5 because the financial projections are based on operational projections that are not credible as discussed regarding Criterion 3.

The application does not adequately demonstrate the availability of funds for the capital cost of the project because the Veritas Exhibit 16 Balance Sheet and Income Statement do not show the availability of $1,000,000 in "Accumulated Reserves". The term "accumulated reserves" means the amount of reserves than have been accumulated over the previous years. It is unreasonable to assume that the existing Veritas adolescent unit will have an $800,000 cash flow in 2014 because no projected cash flow statement is provided in this Exhibit. Therefore the availability of $1,000,000 is totally speculative and not a true demonstration of the availability of funds for the capital cost of the project.

Operational costs provided in the Veritas Form B are unreasonable because pharmacy and laboratory contract services expenses are omitted and the total annual drug costs of less than $2,000 per year are not credible. Medical and psychiatric morbidity and comorbidity in adults with eating disorders are high; therefore the medication costs in the Veritas application are greatly understated.

[2] www.hopkinsmedicine.org/psychiatry/specialty_areas/eating_disorders/patient_information/inpatient.html

Staffing costs are understated and inaccurate due to the erroneous LPN staffing as discussed in the criterion 7 comment.

The application lacks utilization projections, staffing information, and financial assumptions for the partial hospitalization program that will be included in the proposed facility and is briefly mentioned in the scope of services on page 26.

The application fails to demonstrate that the projected lease expense provided in the pro forma financial statement is reliable and sufficient to develop the project at the secondary site, Obey Creek in Chapel Hill because no proposed lease is included in the application.

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

The Veritas application fails to conform to Criterion 6 because the utilization projections are unreliable as discussed in the comments regarding Criterion 3. Furthermore, the application fails to take into consideration that Orange County is well served by UNC Hospitals' ten existing inpatient psychiatric beds and the partial hospitalization program (with a capacity for 12 patients) that are dedicated to serving patients with eating disorders.

The UNC Center of Excellence for Eating Disorders ("UNC-CEED") serves patients from throughout North Carolina. Since 2003, the UNC program has developed into a model evidence-informed, comprehensive, university-based program providing the highest standard of care for individuals with eating disorders and their families. The 10-bed program is part of a continuum of services that also includes partial hospitalization and outpatient treatment programs. Admissions to UNC-CEED are not dependent upon patient age; all beds can be used to serve either pediatric or adult patients. All of the UNC-CEED beds are Medicaid and Medicare certified.

The proposed location for the Veritas facility at 2812 Erwin Farm Road in Durham, NC is located approximately 13 miles from UNC Hospitals' existing inpatient psychiatric beds. The proposed secondary site, located in Chapel Hill, is 2.5 miles from UNC Hospitals. Alternate facility options in central or western North Carolina were not discussed in the Veritas application even though more than 83 percent of the projected patients are projected to originate from outside of the primary service area of Wake, Durham, and Orange Counties. Given the location of the proposed facility, the Veritas project is duplicative of the existing inpatient psychiatric beds that comprise UNC-CEED, except that Veritas seeks to only serve insured patients and provide less than 2 percent of projected expenses to serve charity care, which includes any Medicaid and Medicare patients.

(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.

The application is nonconforming to Criterion 7 because Veritas omits pharmacy services from the table on page 29 and provides no documentation from a contract pharmacy provider expressing willingness to provide the service. The projected staffing table in Section VII does not specify the projected annual contract hours or hourly rate.

Pharmacy services are required by the licensing regulation *10a NCAC 27g .0209 (a) (4) Other than for emergency use, facilities shall not possess a stock of prescription legend drugs for the purpose of dispensing without hiring a pharmacist and obtaining a permit from the NC Board of*

Pharmacy. Physicians may keep a small locked supply of prescription drug samples. Samples shall be dispensed, packaged, and labeled in accordance with state law and this Rule.

In addition, the Veritas application also fails to provide documentation of the availability of laboratory services. No letter of support or agreement is included in Exhibit 20.

Furthermore, the Veritas application does not provide staffing information for the partial hospitalization program that will be included in the proposed facility and is briefly mentioned in the scope of services on page 26.

Pages 105 and 109 in Section VII of the application provide staffing information including LPN nursing positions for each shift at the proposed facility. The applicant does not adequately demonstrate that the 5.0 FTE LPN positions (page 105) are sufficient to cover the staff schedule on page 109 with 2 LPN positions on 1st staff and 1 LPN staff position on both 2nd and 3rd shift for Monday through Friday plus 1 LPN position on each shift on Saturdays and Sundays. The total numbers of weekly scheduled hours for the LPN position would be 208 hours which cannot be covered by the 5.0 FTEs for LPN positions that are shown on page 105. The 208 weekly scheduled hours would require at minimum 5.2 FTEs to cover the paid time to cover these shifts. Assuming the LPN positions receive traditional benefits for paid sick time, scheduled vacations and holidays (15 days combined total per year), Veritas would need to employ a total of 5.5 FTE LPN positions to provide sick, holiday and vacation coverage.

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

The Veritas application does not conform to Criterion 8 because no documentation is provided demonstrating that Duke University Medical Center or any other acute care hospital is willing to establish a transfer agreement. Exhibit 8 of the application provides an unsigned and prospective transfer agreement that has not been formalized with endorsement from an official representative of Duke University Medical Center. Therefore the Veritas application fails to adequately demonstrate the proposed service will be properly coordinated with the healthcare system.

Veritas proposes to provide nasogastric feeding to adult patients but the application lacks documentation that this invasive procedure can be performed under its proposed licensure category. The application also fails to explain which clinical staff or contact staff would perform the nasogastric feeding. Also, no mention is made in the application regarding the inability of the existing Veritas facility in Durham to provide nasogastric feeding to pediatric patients.

Durham Emergency Communications Center (911) reports that during the most recent12 months, Veritas Collaborative had a total of 34 dispatched calls to their facility and 9 calls resulted in patients being transported to the hospital emergency departments.[3] This high number of calls and EMS transports demonstrates that child and adolescent patients with eating disorders routinely have medical needs that cannot be adequately served by the limited scope of services currently offered by Veritas. The proposed Veritas facility with 25 inpatient psychiatric beds to serve adult

[3] Report provided on July 22,2014 by Elizabeth Poole, 911 Database Coordinator of Durham Emergency Communications Center (911)

patients with eating disorders would likely generate far higher numbers of 911 calls and patient transports because adult patients often have more severe medical and psychiatric conditions as compared to adolescent patients.

Patients from the existing Veritas facility in Durham have been admitted to UNC Hospitals through the UNC emergency department (rather than just referring them directly to UNC-CEED) because Veritas could not continue to meet the medical needs of these patients. The proposed project would increase this inappropriate utilization because medical and psychiatric morbidity and comorbidity are high in adults with eating disorders.

Services for adults with eating disorders should include ready access to a range of medical consultations not available in a free-standing inpatient facility. For example, UNC-CEED patients are frequently referred to cardiology, GI, infectious diseases, nephrology, interventional radiology, physical therapy, OB/GYN, endocrinology, general internal medicine, neurology, dermatology, dentistry and other services on site at UNC Hospitals.

The Veritas CON application fails to adequately document coordination of services with physician specialists, acute care hospitals and emergency departments.

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.

The application is nonconforming to Criterion 9 because the secondary service area counties and states are unnamed. Lacking this patient origin data, the application fails to document the special needs and circumstances that warrant services to patients from outside of the primary health service area. As seen in the following patient origin table, the Veritas application proposes to provide a substantial portion of the project's services to individuals not residing in the primary services area and in North Carolina.

Veritas Projected Adult IP ED Patients

	2017		2018		2019	
	Inpatients	**% of Total**	**Inpatients**	**% of Total**	**Inpatients**	**% of Total**
Wake Co.	15	10.1%	21	11.4%	27	12.7%
Durham Co.	5	3.0%	6	3.4%	8	3.7%
Orange Co.	2	1.5%	3	1.7%	4	1.9%
Primary SA	22	14.6%	30	16.5%	38	18.3%
Secondary SA	61	40.4%	79	43.5%	98	46.7%
Out of State	68	45.0%	73	40.0%	74	35.0%
Total Inpatients	**151**	100.0%	**183**	100.0%	**210**	100.0%

Totals may not foot due to rounding.

Furthermore, the application does not adequately document the special needs and circumstances that warrant service to patients from secondary service area counties and out-of-state patients because:

- Veritas fails to provide a list that names each of the other counties and states from where patients are expected to originate.

- No demographic information is provided in the application for these other counties and states.
- Veritas fails to demonstrate that no inpatient psychiatric beds or alternate facilities are present in these other counties and states from where patients are expected to originate.
- No information is provided regarding potential referral sources in these other unnamed counties and states.

(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;*

According to the Veritas 2014 Licensure Renewal Application, the existing child / adolescent inpatient psychiatric facility provided no days of care to Medicaid patients. In contrast, the License Renewal Applications submitted by the other providers including UNC Hospitals, Holly Hill Hospital, Bryn Marr Hospital and Keystone all reported access to services and days of care provided to Medicaid patients related to the child adolescent inpatient psychiatric beds. The applicant did not adequately demonstrate that medically underserved groups have had access to the existing child adolescent inpatient psychiatric services.

(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*

The Veritas application does not conform to criterion (13)(c) because the facility chooses not to obtain Medicaid and Medicare certification. The applicant did not adequately demonstrate that medically underserved groups would have access to the proposed services.

Page 102 of the application provides the payor mix percentages with 0% for both Medicare and Medicaid patient days.

Veritas Collaborative
Adult Inpatient Psychiatric Days of Care, CY2017
January – December 2017

Proposed Inpatient Psychiatric Beds Second Full Fiscal Year Projected Patient Days As % of Total Patient Days	
Self Pay/Indigent/Charity	4.0%
Medicare / Medicare Managed Care	0.0%
Medicaid	0.0%
Commercial Insurance	38.0%
Blue Cross	58.0%
TOTAL	**100.0%**

Totals may not foot due to rounding.

Veritas proposes to develop the 25-bed facility to serve adult patients over the age of 18 with eating disorders. The Medicaid non-covered criteria referenced on page 91 of the application begins at age 21. Therefore adult Medicaid patients with eating disorders between the ages of 18 and 21 are being denied access solely due to the choice of Veritas to not obtain Medicaid certification.

Veritas states that Medicaid and Medicare patients can obtain access to the inpatient program through the Charity Care Policy but this is limited to 1.25% to 1.5% of total operating expenses as documented on page 97. If these percentages are multiplied by the projected number of inpatients, then Veritas will admit no more than 2 to 3 patients per year for all of the potential Medicaid, Medicare and Charity Care patients with eating disorders.

Veritas also fails to discuss any consideration of seeking a Medicaid waiver to obtain reimbursement for inpatient psychiatric services; this waiver has been obtained by Holly Hill Hospital (See CON Findings for Holly Hill, LLC Project #J-8816-12). In previous CON application reviews for inpatient adult psychiatric beds conformance with Criterion 13 was evaluated based on the applications' projections to serve Medicaid and Medicare patients. (See CON Findings for Pioneer Community Hospital Project # G-10002-12 and Bryn Marr Hospitals Project # P10024-12)

Even if Veritas were to commit to obtain Medicaid / Medicare certification or a Medicaid waiver, the applicant would also have to demonstrate that its projected percentages of patients would be comparable to existing providers of similar services. For example, in the Agency analysis of CON Project #F-8757-11 for Autumn Care of Statesville, the Agency found that the applicant was nonconforming to Criterion (13)(c) due to projected Medicaid access that was below that of existing providers.

In contrast to the Veritas proposal, UNC Hospitals has demonstrated its ongoing commitment to provide access to all patient payor categories. Since the time UNC-CEED opened, 16 percent of all admissions have been Medicaid and 13 percent have been Medicare.

(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.*

The Veritas application does not conform to Criterion (18a) because the facility chooses to not obtain Medicaid and Medicare certification and thereby limit access by the medically underserved population. Numerous certificate of need findings substantiate that the Medicaid and Medicare populations are underserved.

Utilization projections are not credible due to the erroneous assumptions and unsupported market share projections. Consequently the application fails to demonstrate cost-effectiveness with financial projections based on unreasonable utilization. The application lacks documentation of the willingness of contract providers to provide pharmacy and laboratory services which are necessary to obtain facility licensure and to admit patients.

In addition to being nonconforming with the CON review criteria, the Veritas application also fails to conform to Criteria and Standards for Inpatient Psychiatric Beds as follows:

10A NCAC 14C.2602 (c) The applicant shall provide documentation of the percentage of patients discharged from the facility that are readmitted to the facility at a later date.

Page 34 of the Veritas application wrongly states that this standard is not applicable. The applicant failed to provide the percentage of patients discharged from the proposed facility that are readmitted at a later date. (In previous CON findings for inpatient psychiatric beds, including UNC Hospitals at WakeBrook Project I.D. # J-10139-13, the applicant was required to provide this information for the proposed new beds.)

10A NCAC 14C.2602 (f) The applicant shall provide copies of any current or proposed contracts or letters if intent to develop contracts or agreements for the provision of any services to clients served in the psychiatric facility.

Exhibit 20 of the Veritas application omits documentation from pharmacy and laboratory contract providers even though these service are mandatory to obtain licensure and admit patients. Please also see the comments related to CON Criterion 8.

10A NCAC 14C.2602 (g)(2) emergency screening services for the target population which shall include services for handling emergencies on a 24-hour basis or through formalized transfer agreements:

Veritas provides no documentation demonstrating that Duke University Medical Center is willing to establish a written transfer agreement. Exhibit 8 of the Veritas application provides an

unsigned and prospective transfer agreement that has not been formalized with an endorsement from an official representative of Duke University Medical Center.

10A NCAC 14C.2602 (g)(4) procedures for referral and follow-up of clients to necessary outside services

The Veritas application lacks a written policy for patient follow-up for Veritas patients who have been transferred to hospital emergency departments. Lacking a written follow-up policy combined with inadequate documentation of a transfer agreement with an acute care hospital is a serious concern regarding the ability of the provider to provide continuity of care.

10A NCAC 14C.2603 (b) An applicant proposing to establish new psychiatric beds shall not be approved unless occupancy is projected to 75% for the total number of licensed psychiatric beds proposed to be operated at the facility no later than the fourth quarter if the second year following completion of the project.

The Veritas utilization and occupancy projections that are not reasonable as discussed in the Criterion 3 comments. Veritas fails to identify the counties of patient origin for the secondary service area and also fails to identify the state-specific patient origin data for the out-of-state patients. Market share projections are not credible. The Veritas projected average length of stay is unreasonable as compared to the Medical Facilities Plan Agency Report and the experience of UNC-CEED for adult patients with eating disorders.

Long Term & Behavioral Health Committee
Agency Report
Adjusted Need Petition to
Create 24 Adult Inpatient Psychiatric Beds
For the Treatment of Eating Disorders in Durham LME-MCO
Proposed 2014 State Medical Facilities Plan

Petitioner:
Veritas Collaborative
615 Douglas Street, Suite 500
Durham, NC 27705

Contact:
Stacie McEntyre, MSW, LCSE, CEDS
President & CEO
smcentyre@veritascollaborative.com
(919) 908-9731

Chase Bannister, MDiv, MSW, LCSW, CEDS
Vice President & Chief Clinical Officer
cbannister@veritascollaborative.com
(919) 908-9732

Request:
The petitioner requests an adjusted need determination for 24 adult inpatient psychiatric beds in the Durham Local Management Entity-Managed Care Organization earmarked for the treatment of adults with eating disorders in the Proposed 2014 State Medical Facilities Plan.

Background Information:
Chapter 2 of the State Medical Facilities Plan (SMFP) describes the purpose and process for submitting petitions to amend the SMFP during its development. Petitions may be sent to the Medical Facilities Planning Branch twice during the course of plan development. Early in the planning year petitions related to basic SMFP policies and methodologies that have a statewide impact may be submitted. The SMFP defines changes with the potential for a statewide impact as *"the addition, deletion, and revision of policies and revision of the projection methodologies."*

Later in the planning cycle when need projections are identified in the Proposed SMFP, petitions seeking adjustments to the projected need determination in any service area may be submitted if the petitioner believes the needs of a service area are not fully addressed by the standard methodology.

Need for adult inpatient psychiatric beds is determined by applying actual patient days from the previous year to the projected population for the age group (18 years and older) two years out to determine days of care (DoC) two years in advance within each of the 16 local management entity-managed care organizations (LME-MCOs). The amount of need per service area is then established based on the size of the service area's projected surplus or deficit when the projected

utilization is compared to the inventory of existing and approved beds using the assumption of a 75% occupancy rate.

Applying the standard methodology to Durham LME-MCO's current inventory of adult inpatient psychiatric beds results in a 16 bed surplus.

Analysis/Implications:

The petition seeks an adjusted need determination for 24 adult inpatient psychiatric beds in Durham LME to serve as a statewide resource for eating disorder (ED) patients and provides four reasons why these beds are needed: (1) ED patients require specialized care that is rarely available in general inpatient psychiatric units, given the collaborative partnerships required (psychiatrist, physicians, dietitians, etc.) and the needs for continuity of care; (2) Recent changes to the *Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition* (DSM-V) criteria have expanded the criteria for previously identified EDs and denotes two newly identified EDs that will result in an increase in the number of people diagnosed; (3) UNC, in Cardinal Innovations 2 LME-MCO, has a 10 bed program, but it is overburdened and cannot meet the needs of all patients referred; (4) Using prevalence data from The National Co-morbidity Survey Replication Study, the petition identifies a need for 24 adult beds that is not detected using the standard methodology.

It should be noted that the petition does not provide a statement of adverse effects in the event the request is not granted nor does it provide a statement of alternatives that were considered and deemed not feasible. Additionally, it does not address safety and quality, access or value.

Need for specialized care, including continuity of care, for eating disorder patients. The petition asserts that "due to an exceedingly high mortality risk, these [eating disorder] patients have unique needs necessitating specialized intervention at higher levels of care" and that continuity of care is an essential component of care, producing better outcomes for ED patients. *The Practice Guideline for the Treatment of Patients with Eating Disorders, Third Edition* (Yager et al. 2006) states that "there is evidence to suggest that patients with eating disorders have better outcomes when treated on inpatient units specializing in the treatment of these disorders than when treated in general outpatient settings where staff lack expertise and experience in treating eating disorders" (p. 14). The *Practice Guidelines* also support the petition's assertion that continuity of care and remaining in the same setting with the same providers is crucial to ED patients' success (p. 36). Additionally, the *Practice Guidelines* acknowledge that "because specialized programs are not available in all geographical areas and financial considerations are often significant, access to these programs may be difficult" (p.35).

Impact of changes to DSM-V criteria. The petition also asserts that recent changes to the American Psychiatric Association's (APA) DSM-V has expanded the criteria for previously identified EDs and includes newly identified EDs. The petition expects that these changes will result in an increase in the number of people diagnosed. There are no data about the impact of these changes, but given the expansion of the clinical profiles of EDs, it is anticipated that more individuals will qualify for an ED diagnosis under the new DSM criteria.

Existing eating disorder programs within the state. The North Carolina Neurosciences Hospital at UNC possesses the only dedicated inpatient ED beds in the state with a total capacity of 10 beds. Utilization data for UNC's inpatient ED program was not available to the agency for analysis since UNC does not report data on these beds separately from the hospital's other 48 adult inpatient psychiatric beds not dedicated to ED patients on its annual license renewal application.

Determination of need. The petition provides data from the National Comorbidity Survey Replication study as published in the journal *Biological Psychiatry* within "The Prevalence and Correlates of Eating Disorders in the National Comorbidity Survey Replication" (Hudson, et al 2006) to determine adult inpatient bed need for ED patients. However, an erratum was published in 2012 providing revised treatment rates that are substantially lower (Hudson, et al 2012). The national prevalence rates reported by Hudson are as follows: anorexia, .90% for females and .3% for males; bulimia, 1.5% for females and .5% for males; binge eating, 3.5% for females and 2% for males. The revised treatment rates provided in Hudson's erratum are 10.3% for bulimia and 6.4% for binge eating. No treatment rate was given for anorexia.

The agency conducted an analysis of need based on the prevalence rates and revised treatment rates contained in Hudson's published data, population data provided by North Carolina Office of State Budget and Management's (OSBM), inpatient referral rates for adult ED patients provided by Duke University Medical Center (DUMC), and an average length of stay (ALOS) determined by an agency survey of published online ALOS for inpatient ED centers nationwide. Prevalence rates and treatment rates based on the Hudson study were selected because the study provided the most recent data based on a national sample funded by the National Institute of Mental Health and was most-cited within the peer-reviewed literature searched. OSBM's population data is used in the standard methodology. Adult inpatient referral data provided by DUMC was used because it was the sole source of this data available to the agency at the time of the analysis.

While the standard methodology provides a framework for assessing need based on DoC, it does not provide an approach for deriving estimates of inpatient psychiatric bed derived from national prevalence rates for a specific diagnosis. To determine this, the agency used the following approach for assessing need for Durham LME-MCO and for the entire state: For each sex, (1) population counts were multiplied by the sex-specific national prevalence rate for each ED to determine the estimated prevalence; (2) the prevalence rate was then multiplied by the treatment rate for each disorder to determine the estimated number of treatment seekers; (3) this estimate was multiplied by the inpatient referral rate to determine the projected number of adults requiring inpatient treatment. The sex-specific projections for adults requiring inpatient treatment were then combined and multiplied by the average length of inpatient stay for ED patients to determine DoC. Following the standard methodology, DoC were divided by 366 (the number of days in 2012) to arrive at the projected number of adult inpatient psychiatric beds needed for ED patients. This number was not divided by 75% since there is no set optimal occupancy for adult inpatient psychiatric beds needed for ED patients. Therefore, the resulting bed need is presented at 100% occupancy. It must also be noted that bed need in this analysis is not projected forward, but represents need in 2013 based on population and utilization data for 2012 provided to the agency.

Table 1 provides the population counts used in the analysis of adult inpatient psychiatric bed need for ED patients. The results of this analysis are shown in Tables 2 through 5 below.

Table 1. Estimated Inpatient Counts for Females Statewide and for Durham LME-MCO

2012 Female Population Ages 18+		**2012 Male Population Ages 18+**	
State	3,947,692	State	3,630,833
Durham	121,351	Durham	101,865

Table 2. Estimated Inpatient Counts for Females Statewide and for Durham LME-MCO

	Durham LME-MCO			**Statewide**			National Prevalence Rate	Treatment Rate
	Estimated Prevalence	Estimated Treatment Seekers	Estimated Inpatient (5.5%)	Estimated Prevalence	Estimated Treatment Seekers	Estimated Inpatient (5.5%)		
Anorexia	1,092			35,529			0.90%	*
Bulimia	1,820	187	9	59,215	6,099	335	1.50%	10.30%
Binge	4,247	272	15	138,169	8,843	486	3.50%	6.40%
TOTAL	**7,160**	**459**	**24**	**232,914**	**14,942**	**822**		

** Treatment rates were not provided for patients diagnosed with anorexia.*

Table 3. Estimated Inpatient Counts for Males Statewide and for Durham LME-MCO

	Durham LME-MCO			**Statewide**			National Prevalence Rate	Treatment Rate
	Estimated Prevalence	Estimated Treatment Seekers	Estimated Inpatient (5.5%)	Estimated Prevalence	Estimated Treatment Seekers	Estimated Inpatient (5.5%)		
Anorexia	306			10,892			0.30%	*
Bulemia	509	52	3	18,154	1,870	103	0.50%	10.30%
Binge	2,037	130	7	72,617	4,647	256	2.00%	6.40%
TOTAL	**2,852**	**183**	**10**	**101,663**	**6,517**	**358**		

** Treatment rates were not provided for patients diagnosed with anorexia.*

Table 4. Estimated Inpatient for Females & Males Combined Statewide and for Durham LME-MCO

	Durham LME-MCO			**Statewide**		
	Estimated Prevalence	Estimated Treatment Seekers	Estimated Inpatient (5.5%)	Estimated Prevalence	Estimated Treatment Seekers	Estimated Inpatient (5.5%)
Anorexia	1,398			46,422		
Bulimia	2,330	240	12	77,370	7,969	438
Binge	6,285	402	22	210,786	13,490	742
TOTAL	**10,012**	**642**	**34**	**334,577**	**21,459**	**1,180**

Table 5. Bed Need Projections Statewide and for Durham LME-MCO

Durham LME-MCO			Statewide		
Estimated Patients	Estimated Days of Care	Projected Bed Need (DoC/366)	Estimated Patients	Estimated Days of Care	Projected Bed Need (DoC/366)
34	378	1	1,180	12,983	35

As shown in Table 5, Durham LME-MCO shows a need for one adult inpatient psychiatric bed for ED patients using this methodology; statewide, the determined need is 35 beds. Ten dedicated adult inpatient psychiatric beds for ED patients are currently in operation at the North Carolina Neurosciences Hospital at UNC. Taking this into account would reduce the deficit determined by this analysis to 25 beds statewide.

Impact of Bed Placement on Durham LME-MCO & the state. The petition provides no support for why the proposed need determination should be restricted to Durham LME-MCO, given that the beds are proposed as a statewide resource. Additionally, the agency's need determination analysis demonstrates a need for only one adult inpatient psychiatric bed for ED patients in Durham LME-MCO. Given that the other 24 beds would be occupied by patients from other LME-MCOs, there is no defined reason why the location of these beds should be restricted to a single LME-MCO.

The agency's analysis did not account for bed occupancy by out-of-state patients. Based on the data drawn from the 2013 Mental Health/Substance Abuse Hospital License Renewal Application (LRA) for Veritas Collaborative, 71% of adolescent ED patients admitted for inpatient treatment were from out-of-state and 73% of adolescent in-state patients were from outside the Durham LME in 2012. It should be noted that Veritas's LRA was reviewed for this purpose because it was the only source of patient origin data specific to ED patients in North Carolina available to the agency.

Development of adult inpatient ED beds will have an impact on the LME-MCO in which they are located. Need for adult inpatient psychiatric beds is determined by applying actual patient DoC from the previous year to the projected population for the age group two years out to determine days of care two years in advance within each of the LME-MCOs. These DoC are applied to patients' LME-MCO of origin, not the LME-MCO in which they receive care. Given that these beds would serve as a statewide resource, only a very small portion of the DoC generated by these beds would be attributed to the LME-MCO in which there are located, resulting in the appearance of a large surplus of adult inpatient psychiatric beds available for general use in this LME-MCO unless these beds are excluded from the SMFP's inventory.

Agency Recommendation:

The petitioner requests an adjusted need determination for 24 adult inpatient psychiatric beds in the LME-MCO earmarked for the treatment of adults with eating disorders in the 2014 State Medical Facilities Plan. Given the available information and comments submitted by the August

16, 2013, deadline and in consideration of factors discussed above, the agency recommends denying the petition based on the request that the need determination be restricted to Durham LME-MCO even though these beds would serve as a statewide resource. Additionally, the petition failed to meet the minimum criteria for review established by the State Health Coordinating Council as presented in the Proposed 2014 SMFP.

However, the agency acknowledges that the standard methodology does not provide a mechanism for projecting need for specialized care settings, which is the recommended treatment protocol for ED patients. The agency believes the basic principles governing the SHCC (safety and quality, access and value) would be preserved by considering the unique needs of eating disorder patients as represented by the recommendations for care presented in the APA's *Practice Guidelines*

The agency's analysis of need for adult inpatient ED beds shows that an additional 25 beds are needed to serve the people of North Carolina. Based on the specialized needs of this population and the needs analysis conducted by the agency, the agency recommends that an adjusted need determination for 25 adult inpatient psychiatric beds for the treatment of eating disorders be added to the 2014 State Medical Facilities Plan and that due to the profound impact these beds could have on the LME-MCO where they are located, the agency further recommends that any beds awarded through this adjusted need determination should be excluded from the planning inventory used to project future need for individual LME-MCOs. The agency also recommends that the need determination for these adult inpatient psychiatric ED beds should be statewide.

Moreover, the agency recommends that the adjusted need determination include the following language: *The beds shall serve adults with a primary diagnosis of Eating Disorder as classified in the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-V) or equivalent criteria in the International Criteria of Diseases and Related Health Problems, Ninth Edition (ICD-9), such as anorexia nervosa, bulimia nervosa, binge-eating disorder, or eating disorder not otherwise specified.*