

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

DECISION DATE: February 22, 2013
PROJECT ANALYST: Gloria C. Hale
TEAM LEADER: Lisa Pittman
PROJECT I.D. NUMBER: J-10069-12/ University of North Carolina Hospitals at Chapel Hill d/b/a University of North Carolina Hospitals at WakeBrook/ Relocate 16 adult inpatient psychiatric beds from Broughton Hospital to UNC Hospitals at WakeBrook pursuant to Policy PSY-1 in the 2012 SMFP/ Wake County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, University of North Carolina Hospitals (UNCH) at Chapel Hill, proposes to transfer 16 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2012 State Medical Facilities Plan (2012 SMFP) to develop an adult inpatient psychiatric facility at UNCH at WakeBrook. The applicant will lease the proposed adult inpatient psychiatric facility from Wake County at no cost and the 16 adult inpatient psychiatric beds will be licensed as a freestanding psychiatric hospital under G.S. Chapter 122C-23, Article 2, and certified as part of UNCH for Medicare reimbursement purposes. The proposed 16 bed adult inpatient psychiatric facility at UNCH at WakeBrook will be located at 111 Sunnybrook Road, Raleigh, in Wake County. The applicant does not propose to develop new inpatient psychiatric beds. Therefore, there are no need determinations in the 2012 SMFP applicable to this review.

There are two policies in the 2012 SMFP which are applicable to the review of this application. The first of these, Policy MH-1: LINKAGES BETWEEN TREATMENT SETTINGS, states: *“An applicant for a certificate of need for psychiatric, substance*

abuse, or Intermediate Care Facilities for the Mentally Retarded beds shall document that the affected local management entity has been contacted and invited to comment on the proposed services.” Exhibit 24, pages 269-270, contains a letter of support for the project from the Area Director for the Alliance Behavioral Healthcare Local Management Entity-Managed Care Organization (LME-MCO). The application is conforming to Policy MH-1.

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

“Beds in the state psychiatric hospitals used to serve short-term psychiatric patients may be relocated to community facilities through the certificate of need process. However, before beds are transferred out of the state psychiatric hospitals, services and programs shall be available in the community. State psychiatric hospital beds that are relocated to community facilities shall be closed within 90 days following the date the transferred beds become operational in the community.

Facilities proposing to operate transferred beds shall submit an application to the Certificate of Need Section of the North Carolina Department of Health and Human Services and commit to serve the type of short-term patients normally placed at the state psychiatric hospitals. To help ensure that relocated beds will serve those people who would have been served by the state psychiatric hospitals, a proposal to transfer beds from a state hospital shall include a written memorandum of agreement between the local management entity serving the county where the beds are to be located, the secretary of the North Carolina Department of Health and Human Services, and the person submitting the proposal.”

In Exhibit 11, pages 112-114, the applicant provides a signed memorandum of agreement dated November 9, 2012 between Alliance Behavioral Healthcare, the LME-MCO serving Wake County, the Department of Health and Human Services, and UNCH at WakeBrook, which states:

“WHEREAS, the 2012 State Medical Facilities Plan authorizes the transfer of psychiatric inpatient beds from the State psychiatric hospitals to community-based facilities that are willing to care for residents who are normally placed in psychiatric beds at the State psychiatric hospitals.

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

NOW THEREFORE, the North Carolina Department of Health and Human Services, the Division of Mental Health, Developmental Disabilities and Substance Abuse Services, and Broughton Hospital (collectively referred to as the 'Department'); Alliance Behavioral Healthcare (LME for Wake and Durham Counties), and UNC Hospitals at WakeBrook to be located in Wake County, do hereby agree as follows:

- A. The Department agrees to transfer up to sixteen (16) psychiatric inpatient beds from Broughton Hospital to UNC Hospitals at WakeBrook in Wake County.*
- B. The Department agrees to close sixteen (16) psychiatric inpatient beds at Broughton Hospital within 90 days following the date the transferred beds become operational in the community.*
- C. Alliance Behavioral Healthcare and UNC Hospitals at WakeBrook agree to comply with the requirements of Policy PSY 1: transfer of Beds from State Psychiatric Hospitals to Community Facilities set forth in the 2012 State Medical Facilities Plan.*
- D. All Parties agree that this MOA is for the expressed purpose of transferring beds from Broughton Hospital to UNC Hospitals at WakeBrook and that such transfer does not include or imply the transfer of any monetary or other resources associated with these beds from the Department to support operation of such beds by UNC Hospitals at WakeBrook in Wake County.*
- E. As set forth in the agreement between Alliance Behavioral Health [sic] and UNC Hospitals at WakeBrook, Alliance Behavioral Health [sic] and UNC Hospitals at WakeBrook will be developing the criteria, process and procedures for Alliance Behavioral Health [sic] LME approving the admissions of LME residents to UNC Hospitals at WakeBrook whose care will be reimbursed by Alliance Behavioral Health [sic] LME. Alliance Behavioral Health [sic] LME and UNC Hospitals at WakeBrook also have agreed that Alliance Behavioral Health [sic] LME will be an active participant in discharge planning for Alliance Behavioral Health [sic] LME area patients.”*

Alliance Behavioral Healthcare is the LME-MCO for Cumberland, Durham, Johnston, and Wake Counties. However, each county is a separate LME-MCO¹.

The signed agreement and the letter in Exhibit 24 adequately document the following:

¹ North Carolina Department of Health and Human Services, Division of Health Service Regulation, Medical Facilities Planning Branch. *North Carolina 2013 State Medical Facilities Plan.*

- The Local Management Entity-Managed Care Organization (LME-MCO), Alliance Behavioral Healthcare, has provided a letter of support for the proposal.
- The Department of Health and Human Services has agreed to close 16 psychiatric beds at Broughton Hospital within 90 days following the transfer of the beds to UNC Hospitals at WakeBrook.
- UNC Hospitals at WakeBrook has committed to serve the type of short-term psychiatric patients normally placed at the state psychiatric hospitals.
- The application includes a written memorandum of agreement between the LME-MCO, the Department of Health and Human Services and UNC Hospitals at WakeBrook.

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

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

C

The applicant proposes to develop a new 16 bed adult inpatient psychiatric unit at UNCH at WakeBrook in Wake County by relocating 16 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2012 SMFP. The proposal includes minor renovations of existing space in a facility that will be leased from Wake County. Upon project completion, UNCH at WakeBrook would be licensed for a total of 16 adult inpatient psychiatric beds. The proposed facility will serve adults 18 years of age and older.

Population to be Served

The applicant provides projected patient origin by county of residence for the first two years of the proposed inpatient psychiatric services:

County	Operating Year One July 1, 2013 – June 30, 2014	Operating Year Two July 1, 2014 – June 30, 2015
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	# of Patients	% of Total	# of Patients	% of Total
Wake	794	96%	841	96%
Other*	33	4%	35	4%
Total	827	100%	876	100%

*“*Other includes Johnston, Franklin, Durham and other counties.”*

In Section III.5(b), page 44, the applicant states,

“The projected patient origin for UNC Hospitals at WakeBrook is based on referral relationships with Wake County hospitals and WakeBrook Crisis Assessment Services. ...percentages are based on the patient origin data of the existing WakeBrook Crisis Assessment Services and include all adult clients referred to facility-based crisis, medical detoxification, and inpatient levels of care.”

The applicant adequately identified the population to be served.

Demonstration of Need

In Section III.1(b), pages 29-30, the applicant summarizes the need for additional adult inpatient psychiatric beds in Wake County, including: the county’s high population growth and high demand for inpatient psychiatric services, admission delays, long wait times in hospital emergency departments before a patient can be transferred to an appropriate inpatient facility, high utilization of existing adult inpatient psychiatric beds, and projected utilization of the proposed beds.

In Section III.1(b), page 30, the applicant provides the population projections for Wake County, indicating projected growth of 10.0% from 2012 to 2017 compared to the statewide projected population growth of 5.4% for the same period. This is depicted in the following two tables:

Population Projections	Jul-2012	Jul-2013	Jul-2014	Jul-2015	Jul-2016	Jul-2017
Wake	944,619	963,593	982,570	1,001,545	1,020,521	1,039,498
State Total	9,780,740	9,886,347	9,992,391	10,096,810	10,201,611	10,305,263

Projected Growth	2012 - 2017	
Wake	94,879	10.0%
State Total	524,523	5.4%

The applicant demonstrates that the number of adult inpatient psychiatric days of care in non-State hospitals in Wake County has increased over time at a higher rate than the overall growth of the county’s adult population, as illustrated in the following table from Section III.1(b), page 30:

**Inpatient Psychiatric Bed Utilization for Non-State Hospitals
Wake County**

	2005	2010	% Change
Adult Inpatient Psychiatric Days of Care	16,169	25,660	58.70
Wake County Population (18+ years of age)	558,313	695,455	24.56
Utilization Rate for Days of Care*	289.60	368.97	27.40
Licensed Adult Psychiatric Beds	51	79	54.90

*Rate is based on days of care per 10,000 persons

The applicant describes this growth on pages 30-31 as follows,

“The adult psychiatric inpatient days of care increased by 58.7 percent during the five year period. The compound annual growth rate is 9.63 percent for the adult inpatient psychiatric beds. Population growth of 24.56 percent was overshadowed by the 27.4 percent increase in the use rate. UNC Hospitals expects continued growth in the Wake County population combined with increases in days of care. The proposed project will add adult inpatient psychiatric capacity to Wake County.”

In addition, the applicant describes the lack of timely access to inpatient beds as evidenced by ED lengths of stay that many patients encounter while waiting for available inpatient psychiatric beds. In Section III.1(b), page 31, the applicant states that WakeMed treats between five and 18 psychiatric patients per day and that psychiatric patients wait in the ED on average 2.5 to 3 days before they can be admitted to an appropriate facility. Three other hospitals in the county, WakeMed Cary, Duke Raleigh, and Rex Hospitals also confirmed wait times lasting days or up to a week. In addition, the National Alliance for the Mentally Ill in Wake County reported that while patients had waited on average 3.5 days for admission to Central Hospital, a State psychiatric facility, and 1.7 days for admission to Dorothea Dix Hospital, another State psychiatric facility, patients now wait on average 4.5 days for admission to Central Hospital due to the closing of Dorothea Dix Hospital. The applicant states that the proposal to develop 16 adult psychiatric beds at UNCH at WakeBrook *“will provide greater access ...and alleviate some of the ED overcrowding with psychiatric patients that are waiting for placement.”* The applicant provides several letters of support from Wake County-based hospitals and behavioral medicine physician groups in Exhibit 25 and in supplemental information.

Projected Utilization

In Section III.1(b), pages 36 – 39, the applicant describes the need methodology used to project utilization which is based on an analysis of historical data of Wake County ED visits and expected referrals and admissions from WakeBrook Crisis Assessment Services.

Step one of the methodology involves calculations of the total ED visits for all Wake County hospitals for 2011 and 2012 to determine the percent annual growth. Step two

calculates the expected number of adult psychiatric patients each year from those treated in emergency departments based on an analysis of ED data from NC-DETECT, a statewide public health surveillance database. The applicant then determines its market share of the expected number of adult psychiatric patients based on UNCH at WakeBrook’s number of proposed beds as a percentage of total adult psychiatric inpatient beds in the county, choosing to use only half of that percentage to conservatively project utilization. In Step three, the applicant calculates the expected number of patients admitted to UNCH at WakeBrook based on estimates of referrals provided by WakeBrook Crisis Assessment Services. Step four calculates the combined numbers of projected admissions from both Wake County EDs and referrals from WakeBrook Crisis Assessment Services. Step five provides the calculation of patient days based on an average length of stay determination made by UNC psychiatrists involved in the planning and management of the project. Step six calculates the projected occupancy levels based on total patient days and available bed days.

On page 39, the applicant provides the projected annual utilization of the proposed 16 adult inpatient psychiatric beds for the first three full project years, (July 2013 – June 2016), as follows:

**UNCH at WakeBrook Adult Inpatient Psychiatric Facility
 Projected Utilization**

	Project Year 1 (July 2013 – June 2014)	Project Year 2 (July 2014 – June 2015)	Project Year 3 (July 2015 – June 2016)
Total # Patients Admitted	827	876	925
Total # Patient Days of Care	4,962	5,256	5,550
Average Length of Stay (days)	6	6	6
# of Licensed Beds	16	16	16
% Occupancy	85.0%	90.0%	94.8%

In addition, in supplemental information, the applicant provides quarterly projected utilization for the first and second full fiscal years of the proposed project. The methodology and assumptions are fully described in Section III.1(b), pages 36-39.

Projected Utilization First Full Fiscal Year	First Quarter July 2013 – Sept. 2013	Second Quarter Oct. 2013 – Dec. 2013	Third Quarter Jan. 2014 – Mar. 2014	Fourth Quarter Apr. 2014 – June 2014	Total
Total # Patients Admitted	207	207	207	206	827
Total # Patient Days of Care	1,242	1,242	1,242	1,236	4,962
Average Length of Stay	6	6	6	6	6
# of Licensed Beds	16	16	16	16	16
% Occupancy*	85.1%	85.1%	85.1%	84.7%	85.0%
Total # Discharged Patients Readmitted at Later Date (within 30 days)					8.2%

* % occupancy calculated by Project Analyst.

Projected Utilization Second Full Fiscal Year	First Quarter July 2014 - Sept. 2014	Second Quarter Oct. 2014 – Dec. 2014	Third Quarter Jan. 2015 – Mar. 2015	Fourth Quarter Apr. 2015 – June 2015	Total
Total # Patients Admitted	219	219	219	219	876
Total # Patient Days of Care	1,314	1,314	1,314	1,314	5,256
Average Length of Stay	6	6	6	6	6
# of Licensed Beds	16	16	16	16	16
% Occupancy*	90.0%	90.0%	90.0%	90.0%	90.0%
Total # Discharged Patients Readmitted at Later Date (within 30 days)					8.2%

* % occupancy calculated by Project Analyst.

As shown in the table above, in the fourth quarter of the second full fiscal year of operation (8th quarter of operation following completion of the project), occupancy is projected to be 90.0%, which exceeds the 75% occupancy rate required by 10A NCAC 14C .2603(b). Projected utilization is based on reasonable, credible and supported assumptions. Therefore, the applicant adequately demonstrates the need to relocate 16 inpatient psychiatric beds from Broughton pursuant to Policy PSY-1 in the 2012 SMFP.

In summary, the applicant adequately identified the population to be served and adequately demonstrated the need the population has for the proposed 16 adult inpatient psychiatric beds. Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

In Section III.3, page 42, the applicant discusses the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo – The applicant states that additional adult inpatient psychiatric services are needed in Wake County due to large numbers of psychiatric patients waiting for admission and the increase in demand that will occur due to increased growth in the county’s population. The applicant states, *“Data for the period from 2005 to 2010 shows that adult psychiatric inpatient days of care increased by 58.7 percent during the five year period. The compound annual growth rate is 9.63 percent for the adult inpatient psychiatric beds. Based on this growth trend, the existing and approved capacity of adult inpatient psychiatric beds in Wake County will not be sufficient to serve the expected demand.”* Therefore, the applicant has determined that maintaining the status quo is not an acceptable alternative.
- 2) Develop Fewer Adult Inpatient Psychiatric Beds – The applicant determined that this is not an effective alternative since it would be less cost effective. Staffing ratios would be less cost effective and various fixed costs, including security and information systems, would negatively affect the facility’s financial feasibility.

The applicant states in Section III. 3, page 42, that its proposal to develop the 16 bed adult inpatient psychiatric facility resulted from a collaborative planning effort among numerous providers and all of the hospitals in Wake County. The applicant states, *“This alternative offers the most effective use of existing capital resources at the WakeBrook facilities. The proposed project is the least costly and most effective alternative because the gain in bed capacity is justified and the project improves the availability of private rooms.”* In addition, the facility already exists, requiring minor renovations, and all ancillary and support services are available through the UNC Healthcare System.

Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

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

1. **University of North Carolina Hospitals at Chapel Hill shall materially comply with all representations made in the certificate of need application and supplemental information provided. In those instances where representations conflict, University of North Carolina Hospitals at Chapel Hill shall materially comply with the last made representation.**
 2. **University of North Carolina Hospitals at Chapel Hill shall relocate no more than 16 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 to University of North Carolina Hospitals at WakeBrook for a total licensed bed complement of no more than 16 adult inpatient psychiatric beds.**
 3. **University of North Carolina Hospitals at Chapel Hill shall accept patients requiring involuntary admission for adult inpatient psychiatric services at University of North Carolina Hospitals at WakeBrook.**
 4. **University of North Carolina Hospitals at Chapel Hill shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.1(b), page 73, the applicant projects the total capital cost of the project to be \$753,888, as shown in the following table.

Item	Projected Cost
Construction Contract	\$290,944
Fixed and Moveable Equipment	\$400,000
Architect/Engineering/Consultant Fees	\$25,000
Project Contingency	\$37,944
Total	\$753,888

In Section VIII.2, page 74, the applicant states that financing for the proposed project in the amount of \$753,888 will be funded from cash and cash equivalents. Exhibit 23 includes a letter from the Executive Vice President and Chief Financial Officer for UNCH which states:

“This letter is to confirm the availability of funding in excess of \$753,888 specifically for use for the capital costs associated with the development of the above referenced project.”

In Section IX.1, page 78, the applicant states that there will be no start-up cost since UNCH at WakeBrook will be certified as part of UNC Hospitals.

Exhibit 22 contains an audited statement of financial condition for UNCH at Chapel Hill for FY 2012, July 1, 2011 – June 30, 2012. UNCH at Chapel Hill had total assets of \$1,763,461,473 and total liabilities of \$575,662,559. Total net assets were \$1,187,798,914 (total assets minus total liabilities). The applicant had cash and cash equivalents of \$144,227,747. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

The applicant provides pro forma financial statements for the first three operating years of the proposed project. The applicant projects operating expenses will exceed revenues, resulting in negative net income in each of the first three operating years of the project, as illustrated in the table as follows:

UNCH at WakeBrook Adult Inpatient Psychiatric Unit	Project Year 1 7/01/2013 – 6/30/2014	Project Year 2 7/01/2014 – 6/30/2015	Project Year 3 7/01/2015 – 6/30/2016
Projected # of days	4,964	5,256	5,550
Projected Average Charge (Gross Patient Revenue / Projected # of days)	\$1,830	\$1,935	\$2,051
Gross Patient Revenue	\$9,084,120	\$10,167,785	\$11,380,719
Deductions from Gross Patient Revenue	\$6,891,858	\$7,714,053	\$8,634,277
Net Patient Revenue	\$2,192,262	\$2,453,732	\$2,746,442
Total Expenses	\$4,650,897	\$4,830,387	\$4,949,548
Net Income (Loss)	-\$2,458,635	-\$2,376,655	-\$2,203,106

The applicant provides pro forma financial statements for the entire facility, UNCH at Chapel Hill, which project a positive net income in each of the first three operating years of the proposed project, as illustrated in the following table:

UNCH at Chapel Hill	Project Year 1 7/01/2013 – 6/30/2014	Project Year 2 7/01/2014 – 6/30/2015	Project Year 3 7/01/2015 – 6/30/2016
Projected # of inpatient and outpatient days	450,850	455,346	459,921
Projected Average Charge (Gross Patient Revenue / Projected # of days)	\$6,241	\$6,553	\$6,881
Gross Patient Revenue	\$2,813,758,000	\$2,983,909,000	\$3,164,582,000
Deductions from Gross Patient Revenue	\$1,507,641,000	\$1,594,751,000	\$1,685,308,000
Net Patient Revenue	\$1,306,117,000	\$1,389,158,000	\$1,479,274,000
Total Expenses	\$1,213,306,000	\$1,327,230,000	\$1,410,094,000
Net Income	\$123,676,000	\$92,793,000	\$100,045,000

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. All assumptions for the pro formas are provided in Section X.2, pages 81-83. See Criterion (3) for discussion regarding projected utilization which is hereby incorporated by reference as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, the application is conforming to this criterion.

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

C

Pursuant to Policy PSY-1 in the 2012 SMFP, the applicant proposes to relocate 16 adult inpatient psychiatric beds from Broughton Hospital. Upon completion of the proposed project, UNCH at WakeBrook would be licensed for 16 adult inpatient psychiatric beds. The 2012 SMFP indicates that there is only one licensed mental health hospital in Wake County. According to its 2012 License Renewal Application (LRA), Holly Hill Hospital is currently licensed for 64 adult inpatient psychiatric beds. However, Psychiatric Solutions, Inc., Holly Hill Hospital, LLC and Holly Hill Real Estate, LLC are approved to develop an additional 53 beds at Holly Hill Hospital [Project I.D. #J-8442-09 for 16 beds and Project I.D. #J-8816-12 for 37 beds]. The first 16 beds were anticipated to be operational in CY 2012 according to the CON application filed by Psychiatric Solutions, Inc., Holly Hill Hospital, LLC and Holly Hill Real Estate, LLC, as depicted by the applicant in the table below. The additional 37 beds to be developed in Project I.D. #J-8442-09 are anticipated to be operational in CY 2014. In Section III.1(b), page 34, the applicant provides utilization and occupancy projections for Holly Hill Hospital, illustrated as follows:

	<i>Most Recent 6 Months</i>	<i>Projections</i>				
		<i>CY 2012</i>	<i>CY 2013</i>	<i>CY 2014</i>	<i>CY 2015</i>	<i>CY 2016</i>
	<i>Sept. 2011 to Feb. 2012</i>	<i>Jan. to Dec.</i>	<i>Jan. to Dec.</i>	<i>Jan. to Dec.</i>	<i>Jan. to Dec.</i>	<i>Jan. to Dec.</i>
<i>Adult Psychiatric Licensed Beds</i>	64	80	80	117	117	117
<i>Days of Care</i>	12,569	27,299	29,164	30,622	32,154	33,761
<i>ALOS</i>	8.7	8.7	8.7	8.7	8.7	8.7
<i>Occupancy %</i>	107.6%	93.5%	99.9%	71.7%	75.3%	79.1%

However, Project I.D. #J-8442-09, to develop 16 beds at Holly Hill Hospital, has been delayed. Therefore, only 64 beds were operational at Holly Hill Hospital in CY2012. The 16 beds are anticipated to be operational in CY2013.

In Section III.1(b), page 35, the applicant states,

“UNC Hospitals expects that Holly Hill Hospital will likely achieve greater than 75 percent occupancy in CY 2014 for two reasons:

- 1) *The Holly Hill methodology and projections are based on a 5 percent annual growth rate which is far less than the facility's historical growth rate of 13.7 percent.*
- 2) *For the period from 2005 to 2010, the compound annual growth rate for Wake County adult inpatient psychiatric patient days was 9.64 percent.*

Consequently, UNC Hospitals foresees that even with the additional 37 adult inpatient psychiatric beds at Holly Hill Hospital, Wake County patients will still have difficulty obtaining timely admission to adult inpatient psychiatric beds.”

Wake County is in the Alliance Behavioral Healthcare LME-MCO. Wake County is its own separate LME-MCO. The applicant adequately demonstrated the need for 16 adult inpatient psychiatric beds. See Criterion (3) for discussion which is hereby incorporated by reference as if set forth fully herein. Therefore, the applicant adequately demonstrates that the proposed project will not result in unnecessary duplication of existing or approved adult inpatient psychiatric beds. Consequently, the application is conforming to this criterion.

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

C

The following table illustrates the proposed staffing as shown in Section VII.2, page 64.

**UNCH at WakeBrook Proposed Adult Inpatient
 Psychiatric Facility Staffing**

Position	Proposed FTEs
Psychiatrists	3.625
Psychologist	0.300
Medical Director	0.380
Site Administrative Director	0.250
Human Services Division Director	0.250
Human Services Program Manager	0.250
Human Services Supervisor II	0.250
Human Services Senior Practitioner	2.000
Human Services Supervisor II	1.000
Nursing Supervisor	1.000
Case Manager	2.000
Nurses (Includes Psychiatric Nurses)	14.000
Nursing Assistant II	6.380
Clinical Support Technician	6.380
Health Unit Coordinator	3.000
Substance Abuse Counselor	1.000
Substance Abuse Counselor	0.250
Patient Services Manager III	1.000
Medical Support Assistant III	0.500
Business Officer	0.250
Patient Financial Services Rep.	1.000
Payor Specialist	0.380
Patient Business Associate	1.250
Clinical Authorization Specialist	0.380
Utilization Manager	0.250
Transportation Aide	0.500
Claims Coding Specialist	0.130
Medical Coder P/A	0.130
Recreational Therapist	0.500
Occupational Therapist	0.500
Pharmacist	1.400
Pharmacist Tech	1.000
Phlebotomist	1.000
Security	5.000
Dietary	N/A – Contract Service
Housekeeping	N/A – Contract Service
Total	57.45 [57.485]

In Section VII.3, page 65, the applicant states:

“The proposed project at UNC Hospitals at WakeBrook will require additional personnel. Since the categories of positions already exist, UNC Hospitals’

standard recruitment initiatives will remain in force. The initiatives include advertising, recruitment visits and interviews, working with educational programs and working with other professionals in the appropriate fields. UNC Hospitals has a nursing recruitment office that maintains a national recruitment program and regularly recruits individuals with specific or unique training and skills.”

In addition, Dr. Brian Sheitman, a psychiatrist certified by the American Board of Psychiatry and Neurology, has indicated a commitment to serve as Medical Director of UNCH at WakeBrook as indicated in his letter of commitment included in Exhibit 13. The applicant adequately demonstrates the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided. Therefore, the application is conforming to this criterion.

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

C

In Section II.3, page 16, the applicant lists the support services that will be provided by UNCH at WakeBrook for the proposed adult inpatient psychiatric facility, demonstrating that the necessary ancillary and support services will be made available. These services are currently provided in support of existing beds at UNCH and will be extended to UNCH at WakeBrook. Exhibit 4 includes a letter from the Executive Vice President and Chief Operating Officer at UNCH confirming the availability of all necessary ancillary and support services. In Sections V.2, V.3, and V.4, pages 52-53, the applicant discusses how the proposed services will be coordinated with the existing health care system. Referrals to the proposed facility are expected from Wake County hospitals and UNCH, in addition to several mental health practices and individual mental health practitioners, as listed on page 52 of the application. In addition, transfers and referrals are expected from numerous hospitals throughout the state, as listed on pages 52-53. The applicant states that it has an active networking and outreach program and has received many letters of support from UNC physicians, community physicians and other hospitals. Letters of support are included in Exhibits 24, 25, and 26. The applicant adequately demonstrates that the necessary ancillary and support services will be made available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

NA

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

C

In Section VI.11, page 61, the applicant provides the payor mix for all licensed acute care beds and licensed inpatient psychiatric beds at UNCH at Chapel Hill

from July 1, 2012 [sic] to June 30, 2012, the last full fiscal year data was available, as illustrated in the table below.

**UNCH at Chapel Hill Payor Mix
 Patient Days as Percent of Total Patient Days
 FY 2012**

Payor Category	Licensed Acute Care Beds	Licensed Inpatient Psychiatric Beds
Self Pay/ Indigent/ Charity	5.8%	10.5%
Medicare/ Medicare Managed Care	30.2%	25.5%
Medicaid	31.0%	27.3%
Commercial Insurance	1.1%	1.4%
Managed Care	26.1%	32.5%
Other: Hospice	5.8%	2.8%
Total	100.0%	100.0%

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina, as shown in the following table. More current data, particularly with regard to the estimated uninsured percentages, was not available.

County	Total # of Medicaid Eligibles as % of Total Population June 2010	Total # of Medicaid Eligibles Age 21 and older as % of Total Population June 2010	% Uninsured CY 2008-2009 (Estimate by Cecil G. Sheps Center)
Wake	10.0%	3.4%	18.4%
Statewide	17.0%	6.7%	19.7%

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the services to be offered in the proposed adult inpatient psychiatric facility.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of those eligible persons aged 21 and older who

actually received services was 31.6%. The percentage for Wake County was 33.6%. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. As of July 1, 2011, 74.2% of Wake County's population was 18 years of age and older. Of these, 69.24% were females. Blacks or African Americans were 21.3% of the county's population, Whites were 69.9%, and other races accounted for 8.8%. A direct comparison to the applicant's current payor mix cannot be made, however, since the population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicant demonstrates that medically underserved populations currently have adequate access to services available at UNCH. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicants;

C

In Section VI.10, page 61, the applicant states that UNCH has *"long since satisfied its 'free care' obligation under the Hill-Burton Act."* Moreover, the applicant states it *"provides care to all persons based only on their need for care and without regard to minority status, handicap/disability or ability to pay."*

The applicant states in Section VI.2, page 55, that its facility is designed in accordance with all state and federal guidelines for handicapped accessibility and that it incorporates all applicable provisions of the Americans with Disabilities Act. The applicant provides utilization percentages for its services by various patient groups for FY 2011 as follows:

	Low Income*	Racial and Ethnic Minorities	Women	Elderly	Other Underserve d
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Total UNC Hospitals	17.5%	36.7%	59.2%	22.4%	10.3%
Inpatient Psychiatric Beds	26.1%	28.3%	55.1%	8.8%	15.1%

*“Low income is based on Federal poverty guidelines as outlined in Patient Financial Assistance Policy in Exhibit 17.”

In addition, the applicant states in Section VI.4(a), page 56, that “No citizen of North Carolina is refused non-elective treatment for services at UNC Hospitals because of his/her inability to pay.” Exhibit 17 includes copies of UNCH’s Financial Assistance Policy. Moreover, Exhibit 18 contains a document, Assuring Access at UNC Health Care, that addresses the policies of UNCH in ensuring access to its services by indigent and other medically underserved persons.

In regard to civil rights equal access complaints, the applicant states that it has not been notified of any civil rights complaints against the hospital or any of its facilities or services within the past five years.

The application is conforming to this criterion.

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

C

In Section VI.2, page 55, the applicant states,

“As North Carolina’s only state-owned comprehensive, full service hospital-based program, UNC Hospitals has the obligation to accept any North Carolina citizen requiring medically necessary treatment. No North Carolina citizen is denied access to non-elective care because of race, sex, creed, age, handicap, financial status or lack of medical insurance.”

In Section VI.12(b), page 62, the applicant provides the projected payor mix for the proposed 16 adult inpatient psychiatric beds at UNCH at WakeBrook, as illustrated below,

**UNCH at WakeBrook Projected Payor Mix
Proposed Adult Inpatient Psychiatric Beds
Second Full Fiscal Year (7/1/2014 – 6/30/2015)**

Self Pay/Indigent/Charity	27.0%
Medicare/Medicare Managed Care	4.0%
Medicaid	35.0%
Commercial Insurance and Managed Care	4.0%
Other (IPRS)	30.0%
Total	100.0%

The applicant states that the projected payor mix is based on patient referral data from WakeBrook Crisis Assessment Services and from extensive discussions with both UNC psychiatrists and Wake County hospital officials. The applicant states, “*The majority of patients at UNC Hospitals at WakeBrook are expected to be low income patients.*” The applicant demonstrates that medically underserved populations would have adequate access to the proposed adult inpatient psychiatric facility.

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

C

In Section VI.8, page 57, the applicant states that patients at its hospitals are either “*self-referred, referred by their personal physician, by a member of the medical staff at UNC Hospitals or transferred from a [sic] local hospital Emergency Departments. Access is also supported by patient referrals from WakeBrook Crisis Assessment Center.*”

In addition, UNC Health Care System’s outreach health care services and UNC Hospital’s network of primary and specialty physician practices provide referrals. The applicant lists, in Section VI.8(b), pages 58-60, over three dozen hospitals and over two dozen community-based practice locations from which referrals are received.

The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to adult inpatient psychiatric services. Therefore, the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

In Section V.1(a), page 51, the applicant states that health professional training for the University of North Carolina General Psychiatry Residency Program is provided at UNCH's inpatient psychiatric units. Numerous other mental health residency, fellowship, and other professional training programs also utilize UNCH as a training site. The applicant states that these educational experiences will continue into the future. The applicant adequately demonstrates that UNCH at WakeBrook will accommodate the clinical needs of health professional training programs. The application is conforming with 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 transfer 16 adult inpatient psychiatric beds from Broughton Hospital to UNCH at WakeBrook for a total of 16 adult inpatient psychiatric beds at UNCH at WakeBrook. UNCH at WakeBrook is located in Wake County which is in the Alliance Behavioral Healthcare LME-MCO consisting of only Wake County. There are currently 124 certified psychiatric inpatient beds in the Alliance Behavioral Healthcare LME-MCO. All 124 certified psychiatric inpatient beds are located at Holly Hill Hospital. Of the 124 beds, 62 are adult beds and 62 are child/adolescent beds. Fifty-three additional adult inpatient psychiatric beds at Holly Hill Hospital are pending licensure which will total 115 adult inpatient psychiatric beds. One additional inpatient psychiatric services provider, Strategic Behavioral Center, will have 20 child/adolescent inpatient psychiatric beds, pending licensure, which will total 82 child/adolescent inpatient psychiatric beds in the Alliance Behavioral Healthcare LME-MCO. The total number of inpatient psychiatric beds will be 197. There is no need determination in the 2012 SMFP for any additional inpatient psychiatric beds in this LME-MCO. However, UNCH has applied to transfer inpatient psychiatric beds from a state facility pursuant to the 2012 SMFP Policy PSY-1: TRANSFER OF BEDS FROM STATE PSYCHIATRIC HOSPITALS TO COMMUNITY FACILITIES.

In Section V.6(a)(b), page 54, the applicant discusses the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. The applicant states that the proposed project will “*enhance patient access and*

improve the capability of emergency department physicians to make timely referrals and admissions.” In addition, as a result of the proposed project, competition will be enhanced in regard to patient satisfaction, emergency department wait times, and employee and physician satisfaction. See Section III.3, page 42, where the applicant also discusses the cost-effectiveness of the proposed project, Section II.11(a), pages 20-21, where the applicant further discusses the methods used to ensure and maintain quality of care, and Sections VI.2, 3 and 4, pages 55-56, where the applicant discusses how all underserved persons will have access to the proposed adult inpatient psychiatric services.

The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that relocating 16 adult inpatient psychiatric beds to UNCH at WakeBrook will have a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- ◆ The applicant adequately demonstrates the need to relocate 16 adult inpatient psychiatric beds to UNCH at WakeBrook based on projected utilization which is based on reasonable, credible and supported assumptions and that it is a cost-effective alternative;
- ◆ The applicant has and will continue to provide quality services; and
- ◆ The applicant has and will continue to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

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

C

In Section II.11, page 21, the applicant states that UNCH is certified for Medicare and Medicaid participation and is accredited by The Joint Commission. In addition, according to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision for which any sanctions or penalties related to quality of care were imposed by the State on the hospital. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the

Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

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

10A NCAC 14C .2602 INFORMATION REQUIRED OF APPLICANT

- (a) *An applicant proposing to establish new psychiatric beds shall project resident origin by percentage by county of residence. All assumptions and the methodology for projecting occupancy shall be stated.*
- C- In Section III.5(a), page 44, the applicant provides projected patient origin by county of residence for the proposed adult inpatient psychiatric facility for the first two years of operation following completion of the project. Assumptions and methodology are discussed in Section III.5(b), page 44.
- (b) *An applicant proposing to establish new psychiatric beds shall project an occupancy level for the entire facility for the first eight calendar quarters following the completion of the proposed project, including average length of stay. All assumptions and the methodology for projecting occupancy shall be stated.*
- C- In supplemental information, the applicant projects an occupancy level for the entire facility for the first eight calendar quarters following the completion of the proposed project, including the average length of stay. Assumptions and the methodology used are provided.
- (c) *The applicant shall provide documentation of the percentage of patients discharged from the facility that are readmitted to the facility at a later date.*
- C- In Section II, page 23, the applicant states that UNCH [sic] is not an existing facility. However, the applicant provides the projected number of discharged patients readmitted at a later date in Section IV, page 48. The percentage of readmissions in a 30 day period is anticipated to be 8.2%.
- (d) *An applicant proposing to establish new psychiatric beds shall describe the general treatment plan that is anticipated to be used by the facility and the support services to be provided, including provisions that will be made to obtain services for patients with a dual diagnosis of psychiatric and chemical dependency problems.*

- C- The applicant provides the general treatment plan in Exhibit 6 of the application which includes treatment for substance abuse. In addition, in Section II.4, page 14, the applicant states that comprehensive treatment will be provided to psychiatric and dual diagnosis patients.
- (e) *The applicant shall document the attempts made to establish working relationships with the health care providers and others that are anticipated to refer clients to the proposed psychiatric beds.*
- C- UNCH has existing referral relationships with many hospitals and physicians throughout the state. The applicant states on page 23, “...it is UNC Hospitals’ operating policy to work actively with any agency, program, service, or provider that may want to refer patients to the Hospitals, its medical staff and its programs.” In addition, the applicant provides letters of support from local hospitals willing to develop working relationships and refer patients to the proposed psychiatric facility and from several mental health providers in Exhibits 25 and 26, respectively.
- (f) *The applicant shall provide copies of any current or proposed contracts or agreements or letters of intent to develop contracts or agreements for the provision of any services to the clients served in the psychiatric facility.*
- C- The applicant provides a proposed letter of intent between Wake County, Alliance Behavioral Healthcare and UNC Healthcare System in Exhibit 2, a Memorandum of Understanding between the Department of Health and Human Services, UNC Hospitals at WakeBrook, and Alliance Behavioral Healthcare in Exhibit 11, and a draft Lease Agreement Term Sheet between Wake County and UNC Hospitals for the WakeBrook facilities in Exhibit 3.
- (g) *The applicant shall document that the following items are currently available or will be made available following completion of the project:*
 - (1) *admission criteria for clinical admissions to the facility or unit;*
 - C- The applicant provides admission criteria in Exhibit 5 of the application.
 - (2) *emergency screening services for the targeted population which shall include services for handling emergencies on a 24-hour basis or through formalized transfer agreements;*
 - C- The applicant states on page 24 that psychiatric nurses will be utilized to assess and screen patients on a 24-hour basis and that psychiatrists will be on-site for a portion of the 24-hour day. UNCH at WakeBrook will utilize telemedicine to communicate with UNCH at Chapel Hill and care will be coordinated with WakeBrook Crisis Assessment Services. Exhibit 6 includes documentation of the availability of 24-hour emergency screening.

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

-C- The applicant states, on page 24, that client evaluation and individual treatment plans will be utilized consistent with the policies of UNCH. Documentation is provided in Exhibit 6.

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

-C- On page 24, the applicant states that referrals, discharge planning and follow-up services will be utilized consistent with the policies of UNCH. Documentation is provided in Exhibit 6.

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

-C- The applicant provides documentation of the availability and involvement of family counseling services in Exhibit 6 and states on page 24 that UNCH at WakeBrook is committed to providing this counseling.

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

-C- Exhibit 6 contains documentation that comprehensive services, including individual, group and family therapy; medication therapy; and activities therapy including recreation will be provided.

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

-NA-The proposed project is for adult inpatient psychiatric beds only.

(8) *provision of an aftercare plan; and*

-C- UNCH at WakeBrook will provide aftercare plans consistent with procedures at UNCH, as stated on page 25. Exhibit 6 contains further documentation.

(9) *quality assurance/utilization review plan.*

-C- The applicant provides documentation of the quality assurance/ utilization review and performance improvement plans in Exhibits 6 and 7.

(h) *An applicant proposing to establish new psychiatric beds shall specify the primary site on which the facility will be located. If such site is neither owned by nor under option by the applicant, the applicant shall provide a written commitment to pursue acquiring the site if and when a certificate of need application is approved, shall specify at least one*

alternate site on which the facility could be located should acquisition efforts relative to the primary site ultimately fail, and shall demonstrate that the primary site and alternate sites are available for acquisition.

- C- UNCH at WakeBrook is a facility that will be leased by UNCH from Wake County for a period of 10 years with the option for renewal. The building is located at 111 Sunny Brook Road in Raleigh and is the primary site for the proposed project. The applicant provides documentation regarding the terms of the proposed lease in Exhibit 3.
- (i) *An applicant proposing to establish new psychiatric beds shall provide documentation to show that the services will be provided in a physical environment that conforms with the requirements in 10A NCAC 27G .0300.*
- C- In Exhibit 9, the applicant provides a letter signed by the President of UNC Hospitals stating that UNCH at WakeBrook will be in compliance with physical plant rules.
- (j) *An applicant proposing to establish new adult or child/adolescent psychiatric beds shall provide:*
 - (1) *documentation that adult or child/adolescent inpatient psychiatric beds designated for involuntary admissions in the licensed hospitals that serve the proposed mental health planning area were utilized at less than 70 percent for facilities with 20 or more beds, less than 65 percent for facilities with 10 to 19 beds, and less than 60 percent for facilities with one to nine beds in the most recent 12 month period prior to submittal of the application; or*
 - (2) *a written commitment that the applicant will accept involuntary admissions and will meet the requirements of 10A NCAC 26C .0103 for designation of the facility, in which the new psychiatric beds will be located, for the custody and treatment of involuntary clients, pursuant to G.S. 122C-252.*
- C- In Exhibit 9, the applicant provides a letter signed by the President of UNC Hospitals stating that UNCH at WakeBrook will meet the requirements of 10A NCAC 26C .0103 for custody and treatment of involuntary clients.

.2603 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add psychiatric beds in an existing facility shall not be approved unless the average occupancy over the six months immediately preceding the submittal of the application of the total number of licensed psychiatric beds within the facility in which the beds are to be operated was at least 75 percent.*
- NA- UNCH at WakeBrook does not currently have inpatient psychiatric beds and UNCH has no existing licensed inpatient psychiatric beds in Wake County.

- (b) *An applicant proposing to establish new psychiatric beds shall not be approved unless occupancy is projected to be 75% for the total number of licensed psychiatric beds proposed to be operated in the facility no later than the fourth quarter of the second operating year following completion of the project.*
- C- In supplemental information, the applicant provides projected quarterly utilization data through the second full fiscal year. This includes the number of licensed adult inpatient psychiatric beds, the total number of patients discharged, the average length of stay and the percentage of discharged patients readmitted at a later date. The occupancy rate for the fourth quarter of the second operating year is 90.0%, as calculated by the Project Analyst.

.2605 STAFFING AND STAFF TRAINING

- (a) *A proposal to provide new or expanded psychiatric beds must provide a listing of disciplines and a staffing pattern covering seven days per week and 24 hours per day.*
- C- In Section VII.5, page 67, the applicant indicates that care will be provided for adult inpatient psychiatric patients 24 hours a day. The applicant provides a table depicting the staffing pattern for three shifts for weekdays and weekends.
- (b) *A proposal to provide new psychiatric beds must identify the number of physicians licensed to practice medicine in North Carolina with a specialty in psychiatry who practice in the primary service area. Proposals specifically for or including child or adolescent psychiatric beds must provide documentation to show the availability of a psychiatrist specializing in the treatment of children or adolescents.*
- C- Exhibit 12 contains a listing of 203 physicians licensed to practice psychiatry in the primary service area of Wake County. The applicant's proposed project does not include serving children or adolescents.
- (c) *A proposal to provide additional psychiatric beds in an existing facility shall indicate the number of psychiatrists who have privileges and practice at the facility proposing expansion. Proposals specifically for or including child or adolescent psychiatric beds must provide documentation to show the availability of a psychiatrist specializing in the treatment of children or adolescents.*
- NA- UNCH at WakeBrook does not currently provide inpatient psychiatric services. However, the applicant states that the proposed project will utilize the services of the faculty from the UNC School of Medicine Department of Psychiatry.
- (d) *A proposal to provide new or expanded psychiatric beds must demonstrate that it will be able to retain the services of a psychiatrist who is eligible to be certified or is certified by the American Board of Psychiatry and Neurology to serve as medical director of the facility or department chairman of the unit of a general hospital.*

- C- Exhibit 13 contains a letter from a physician board-certified in psychiatry willing to serve as the proposed adult inpatient psychiatric facility's Medical Director.
- (e) *A proposal to provide new or expanded psychiatric beds must provide documentation to show the availability of staff to serve involuntary admissions, if applicable.*
- C- In Section VII.4, page 66, the applicant states, "*The staffing levels ...at UNC Hospitals at WakeBrook have been developed based on the applicant's experience and staffing levels at UNC Hospitals' adult inpatient psychiatric unit in Chapel Hill, which serves involuntary admissions.*" In addition, the applicant states on page 27 that it provides staffing tables that "*include staff positions with direct responsibilities for serving involuntary admissions.*" Staff tables are provided in Section VII.5, page 67.
- (f) *A proposal to provide new or expanded psychiatric beds must describe the procedures which have been developed to admit and treat patients not referred by private physicians.*
- C- Exhibit 5 contains a copy of UNCH's admission policy which includes five primary admission criteria. None of the criteria require a referral by a private physician.
- (g) *A proposal to provide new or expanded psychiatric beds shall indicate the availability of training or continuing education opportunities for the professional staff.*
- C- Exhibit 16 describes the training and/or continuing education programs that are available for professional, nursing, and clinical staff. In addition, the applicant states on page 28 that resources and opportunities are available for professional staff through UNC Hospitals School of Medicine, Department of Psychiatry including "*advanced faculty training, research, clinical trials, presentation of papers, and attendance of local and national conferences.*"