

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: September 19, 2014
PROJECT ANALYST: Fatimah Wilson
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: J-10307-14 / Veritas Collaborative, LLC / Develop 25 new adult, psychiatric beds dedicated to eating disorder treatment, pursuant to an adjusted need determination in the 2014 SMFP / Durham 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.

CA

Veritas Collaborative, LLC (Veritas) proposes to develop a new 25-bed inpatient psychiatric hospital designated for adult male and female eating disorder (ED) patients, pursuant to an adjusted need determination in the 2014 State Medical Facilities Plan (SMFP). Veritas petitioned the North Carolina State Health Coordinating Council (SHCC) in July 2013 to recommend that adult psychiatric beds dedicated to serving patients with eating disorders be included in the 2014 SMFP. In October 2013, the SHCC approved the inclusion of 25 statewide adult inpatient psychiatric beds dedicated to eating disorder treatment.

The 2014 SMFP also included a need methodology for one (1) additional child/adolescent inpatient psychiatric bed for the Durham County Local Management Entity-Managed Care Organization (LME-MCO), which is Alliance Behavioral Healthcare. Veritas recently submitted a CON application, Project I.D. #J-10240-14, to develop one additional child and adolescent inpatient psychiatric bed pursuant to the need identified in the 2014 SMFP. The child and adolescent bed addition project was approved by the agency on July 25, 2014. Veritas intends to develop the proposed adult inpatient psychiatric beds in a new facility close to its existing child and adolescent behavioral health facility in Durham. The applicant does not propose to add more than 25 adult inpatient psychiatric

beds in Durham County. Therefore, the application is conforming with the need determination in the 2014 SMFP.

There are three policies in the 2014 SMFP which are applicable to this review:

Policy MH-1: LINKAGES BETWEEN TREATMENT SETTINGS states: *“An applicant for a certificate of need for psychiatric, substance abuse, or intermediate care facilities for individuals with intellectual disabilities (ICF/IID) beds shall document that the affected local management-managed care organization entity has been contacted and invited to comment on the proposed services.”* The applicant states in Section III.2(b), page 63 that Veritas contacted Rob Robinson, MA, LCAS, CEO for Alliance Behavioral Healthcare, the local management entity-managed care organization (LME-MCO) for Durham and Wake Counties and Cardinal Innovations Healthcare Solutions, the relevant LME-MCO for Orange County, requesting comments on the proposed project. See Exhibit 5 for copies of letters to Alliance Behavioral Healthcare and Cardinal Innovations Healthcare Solutions. The LME is the authority for mental health services for a geographic region of the state. The application is conforming with Policy MH-1.

Policy GEN-3: BASIC PRINCIPLES states the following:

“A CON applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan (SMFP) shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A CON applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A CON applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the SMFP as well as addressing the needs of all residents in the proposed service area.”

Promote Safety and Quality

In Section II.11, pages 30-32, the applicant describes the methods to be used by the facility to ensure and maintain quality of care. The applicant states that the facility will utilize peer-review literature, specialty training, and quality improvement activities such as Joint Commission Accreditation and monitoring of key quality indicators, such as: effectiveness, efficiency, service access and satisfaction in order to improve treatment services, increase treatment access, and improve overall service provision satisfaction. The applicant also discusses safety and quality in Section III.2(a), pages 61-62. The applicant states,

“In an increasingly competitive health care climate with limited resources, it is imperative that providers demonstrate excellence in their practices. Behavioral health patients demand and deserve high-quality care. Veritas constantly reviews its data and processes to determine how it can improve the services it provides. As

described in Section II, Veritas has existing quality-related policies and procedures that it will utilize upon completion of the proposed adult project to ensure safety and quality. Please refer to Exhibit 9 for copies of these policies.

Additionally, Veritas will promote safety and quality in the delivery of health care services in concordance with quality assurance measures explicit to The Joint Commission accreditation, state regulatory standards, and best practices asserted by the International Association of Eating Disorders Professionals, The Residential Eating Disorders Consortium, and the Academy for Eating Disorders. Consumer and stakeholder feedback will also regularly incorporated into periodic board and annual reports and ongoing facility improvement planning to ensure the maintenance of the highest quality standards.”

Exhibit 9 contains facility policies regarding quality of care and patient safety. The information provided by the applicant is reasonable, credible and adequately supports the determination that the applicant’s proposal will promote safety and quality. Therefore, the application is conforming to this criterion subject to Condition 5 in Criterion (4).

Promote Equitable Access

In Section III.2(a), page 61, the applicant discusses how the project will promote equitable access to the proposed inpatient psychiatric services for eating disorder patients. The applicant states,

“Veritas is committed to treating patients and families from a wide variety of cultural backgrounds and across the socioeconomic spectrum. Veritas will provide all services (as clinically appropriate, per physician order, and in accordance with Veritas’ charity care provisions) to adult patients with the primary diagnosis of an eating disorder, regardless of income, racial/ethnic origin, gender, physical or mental conditions, religious affiliation, national origin, ability to pay, or any other factor that would classify a patient as underserved.

...

Veritas will continue to make every attempt to make treatment affordable and accessible to persons with eating disorder illnesses. Veritas does all within its power to enact its core philosophy – ‘treat to outcome, not to resource.’ Whenever possible, members of the multidisciplinary team work together to keep a patient in treatment despite adverse insurance decisions or burdensome financial circumstances. Based on its demonstrated commitment, low income and medical underinsured or uninsured adults will have access to all behavioral health services provided at Veritas’ proposed adult facility. ... ”

In Section VI.1, page 91, the applicant states,

“Although some middle aged adults also have eating disorders, the experience of Veritas’ clinicians is that it is not common for adults age 65+ to experience eating disorders to a degree that would necessitate inpatient treatment. Therefore, Veritas will not seek certification as a Medicare provider.

Veritas’ proposed facility will be a freestanding psychiatric hospital. According to the North Carolina Division of Medical Assistance, Medicaid will not cover services in a freestanding psychiatric hospital for beneficiaries over 21 or less than 65 years of age. Please refer to Exhibit 3 for the Medicaid Health Choice Clinical Coverage Policy, which specifies this non-coverage criterion in Section 4.4. As a result, Veritas will not seek certification as a Medicaid provider.

Medicare or Medicaid-eligible patients that are referred to Veritas for inpatient care will be eligible to receive treatment via the Charity Care policy. ...”

As stated above, patients who are Medicare and Medicaid-eligible will be eligible to receive treatment at Veritas by way of the facility’s Charity Care Policy. In Section VI.4, page 95, the applicant states that before a patient is determined to be eligible for the Charity Care Program, a financial evaluation is completed to determine the patient’s financial status to determine whether or not an individual lacks the resources to pay for the services rendered. The applicant states that the patient’s income will be compared to the Federal Poverty Guidelines as published annually in the Federal Register to determine Medicaid-eligibility. If a patient’s income is less than 250% of the annual Federal Poverty Guidelines, Veritas Collaborative states that they will seek to relieve some or the entire financial obligation. The applicant also states that whenever possible, within the constraints of the Veritas Charity Care Policy, patients will not be denied a clinical evaluation or treatment based on lack of financial resources. On page 95, the applicant states that the Veritas Collaborative Board of Managers commits to provide charity care services at approximately 2.0% of operating expense per annum. In Section XIII, the applicant states that \$110,819 or 1.25% of operating expenses will be provided for charity care in the first full fiscal year, \$154,740 or 1.5% of operating expenses will be provided for charity care in the second full fiscal year and \$225,175 or 2.0% of operating expenses will be provided for charity care in the third full fiscal year. On page 97, the applicant states that Veritas does not include bad debt in charity care totals, but records it as a separate operating expense. See Exhibit 14 for the applicant’s Charity Care and Patient Financial Policies and Procedures. The information provided by the applicant is reasonable, credible and adequately supports the determination that the applicant’s proposal will promote equitable access.

Maximize Healthcare Value

In Section III.2(a), page 62, the applicant states,

“Veritas is committed to active involvement in efforts to contain operational costs inherent to running a mental health hospital. For example, similar to its child and adolescent inpatient facility, zoned HVAC and automatic temperature control

settings, and dual flush toilets will be utilized to contain utility costs. There will also be use of energy efficient light fixtures, window blinds to minimize heat gain, energy efficient HVAC systems, as well as double switch and sensor light switches, among other energy conserving devices. ...”

In Section VIII.1, page 114, the applicant states that a partial hospitalization program (PHP) will be provided in the same facility in adjacent spaces as the adult inpatient psychiatric hospital. Therefore, the architect allocated construction costs for the adult inpatient bed spaces and the PHP spaces based on total facility square footage. The applicant provides the total projected cost for the entire facility on page 115 of the application, with the inpatient bed and PHP cost breakouts included in Exhibit 17.

In Section X.1, page 122, the applicant states that the facility will have energy efficiency and water conservation features. The applicant states that they will negotiate discounts with suppliers for medical, office and other supplies. The applicant also states that the site of the proposed facility is easily accessed via North Carolina’s highway systems and from the RDU International Airport, and thus will minimize out-of-pocket cost for patients traveling for inpatient behavioral health services. The information provided by the applicant is reasonable, credible and adequately supports the determination that the applicant’s proposal will promote equitable access.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities states the following:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

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

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

In Section XI.7, pages 135-136, the applicant states,

“Veritas is designing the proposed project to be in compliance with all applicable federal, state and local requirements for energy efficiency and water conservation, including the North Carolina Energy Conservation Code, and Policy Gen-4 in the 2014 SMFP. ...

Veritas will work with experienced architects and engineers to ensure energy efficient systems are an inherent part of the planned facility project. The A/E team involved in planning this project has LEED and GGHC experience. ... ”

The applicant states that the A/E team involved in planning the proposed project will strive to do the following:

- Provide natural lighting where possible to augment electrical lighting and reduce electricity usage compared to a traditional hospital
- Design and locate windows to appropriately serve functions of lighting, ventilation and external views for patient rooms, family and staff areas
- Control the solar heat gain into the facility through overhangs, natural buffers, sun controls and selection of glazing systems
- Design for maximum efficiency and life cycle benefits within each mechanical system: heating, cooling, water, sewer and irrigation, including low-flow toilets and faucets
- Provide, where feasible, heat recovery systems to extract heat normally wasted in exhaust air and transfer energy to upcoming ventilation air to reduce energy usage
- Use energy guidelines of the U.S. Department of Housing and Urban Development, US. Department of Energy, and the American Society of Heating, Refrigeration, and Air Conditioning Engineers for the design of health care facilities
- Use USGBC LEED guidelines and Hospitals for a Healthy Environment Green Guide for HealthCare (GGHC) as appropriate for opportunities to improve the cost of facility-wide operations, improve safety and improve patient outcomes

The information provided by the applicant is reasonable, credible and adequately supports the determination that the applicant’s proposal will assure improved energy efficiency and water conservation in the proposed facility. Therefore, the application is conforming to this criterion subject to Condition 5 in Criterion (4).

In summary, the application is conforming with the need determination in the 2014 SMFP for a statewide adjusted need determination, Policy MH-1, Policy GEN-3 and Policy GEN-4. Therefore, the application is conforming with this criterion, subject to the conditions in Criterion (4).

- (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, Veritas Collaborative, LLC, operates an existing inpatient psychiatric hospital designated for child/adolescent eating disorder patients located at 615 Douglas Street in Durham. The existing facility has five (5) child/adolescent inpatient psychiatric beds and 21 psychiatric residential treatment facility (PRTF) beds. The 2014 SMFP included a need methodology for one (1) additional child/adolescent inpatient psychiatric bed. Veritas was approved by the agency on July 25, 2014 to develop one additional child/adolescent inpatient psychiatric bed for a total six (6) beds pursuant to Project I.D. #J-10240-14.

In this application, Veritas proposes to develop a new 25-bed inpatient psychiatric hospital designated for adult male and female eating disorder (ED) patients, pursuant to an adjusted need determination in the 2014 SMFP. The facility will also provide partial hospitalization and nasogastric (NG) tube feeding services as part of the total program. The Agency issued a Declaratory Ruling on August 18, 2014 to allow the child/adolescent inpatient psychiatric facility to provide NG tube services, thus the applicant is intending to provide the same service for patients in its adult facility. Veritas proposes to develop the adult inpatient psychiatric beds in 54,000 square feet of leased space close to its existing child and adolescent behavioral health facility. The proposed facility will be located at 2812 Erwin Road in Durham, approximately a half mile from the existing child/adolescent facility.

Population to be Served

The adult psychiatric facility will serve male and female patients aged 18 and older with a primary diagnosis of one of the following: anorexia nervosa, bulimia nervosa, binge eating disorder, avoidant/restrictive food intake disorder and specified and unspecified feeding or eating disorder. The applicant states that due to the specialized nature of the proposed eating disorders services, Veritas proposes to serve patients from the primary service area of Wake, Durham and Orange Counties and the secondary service area of other North Carolina counties and out of state.

In Section III.4, page 67, the applicant provides historical patient origin (CY2013) for child/adolescent inpatient psychiatric services, as illustrated in the following table.

**Veritas Collaborative
 Child and Adolescent Psychiatric Inpatient Services, CY2013**

County	% of Total
Wake	16.0%
Durham	6.4%
Guilford	4.3%
Mecklenburg	4.3%
New Hanover	4.3%
Onslow	2.1%
Forsyth	1.1%
Nash	1.1%
Orange	1.1%
Pitt	1.1%
Out of State	58.5%
Total	100.0%

Totals may not foot due to rounding.
 Source: Veritas Collaborative

In Section III.5, page 68, the applicant provides the projected patient origin for adult inpatient psychiatric services for the first two years of operation following project completion, as illustrated in the following table.

**Veritas Collaborative
 Adult Psychiatric Inpatient Services
 Projected Patient Origin, CY2017-CY2018**

County	2017		2018	
	Inpatients	% of Total	Inpatients	% of Total
Wake	15	10.1%	21	11.4%
Durham	5	3.0%	6	3.4%
Orange	2	1.5%	3	1.7%
Primary SA	22	14.6%	30	16.5%
Secondary SA*	61	40.4%	79	43.5%
Out of State	68	45.0%	73	40.0%
Total	151	100.0%	183	100.0%

Totals may not foot due to rounding
 Source: Veritas Collaborative

* Other NC counties are projected to include Forsyth, Guilford, Mecklenburg and New Hanover Counties.

In Section III.5, pages 68-69, the applicant provides the assumptions and methodology used to project patient origin for the proposed facility. The applicant states that during the two years of operation of its existing child and adolescent psychiatric facility, Veritas received referrals to treat adult patients from regions across North Carolina, including the Triangle (Wake, Durham, and Orange counties), the Piedmont Triad (Guilford and Forsyth counties), the Charlotte-Metro area (Mecklenburg County) and eastern North Carolina (New Hanover County). The applicant states that Veritas draws a number of patients from out-of-state because few resources are available nationwide. In Section III.4, page 67, the applicant states that over 58 percent of the child and adolescent patients who received psychiatric inpatient treatment at Veritas in CY2013 were from out of state. Therefore, the out-of-state patient origin projections for adult psychiatric inpatient services is consistent with the experience of the applicant's existing services.

The applicant provides a referral contact log in Exhibit 21 which includes out-of-state providers from Georgia, Florida West Virginia and the Washington, DC area. In Section II.12, page 33, the applicant projected resident origin by percentage by county of residence in accordance with 10A NCAC 14C .2602(a). The applicant's projected patient origin does not identify the counties of patient origin for the secondary service area that represent 40.4 percent of the total patient population in year one nor does it identify the state of patient origin for the out-of-state patients that represent 45 percent of the total in year one. However, the need determination in the 2014 SMFP is statewide, thus, the applicant is not limited to a specific service area of the state. The resident origin by percentage by county residence alone does not determine the need for the proposed project. On page 69, the applicant states, "*As the proposed project will be among a small, elite group of superlative eating disorders hospitals in the United States, Veritas projects to receive referrals to treat adults from other states as well. This is consistent with the experience of Veritas' existing child and adolescent services.*" The projected population to be served for the proposed project is consistent with the applicant's existing services at its child/adolescent facility. The applicant adequately identifies the population it proposes to serve. See discussion in the need analysis below regarding the reasonableness of the projections.

Demonstration of Need

In Section III.1, pages 44-60, the applicant discusses the factors upon which the need for the adult inpatient psychiatric beds is based:

"Veritas proposes to develop 25 adult psychiatric inpatient beds pursuant to the statewide adjusted need determination in the 2014 SMFP.

The need for the proposed project is supported directly or indirectly by the following:

- *Access to psychiatric inpatient beds for treatment of eating disorders*
- *Need for specialized training and experience*
- *High mortality risk for eating disordered patients*
- *North Carolina State Mental Health Initiative*
- *Prevalence of eating disorders as defined by National Eating Disorders Association, DSM-5, Residential Eating Disorders Consortium, and Academy for Eating Disorders*
- *Expanded clinical definitions for eating disorders*
- *Affordable Care Act and Federal Parity Laws*
- *North Carolina Chapter of National Association of Mental Illness"*

Projected Population

On page 48, the applicant provides projected population data for the primary and secondary service areas as follows:

Projected Population, Males & Females Age 18+

County	2014	2015	2016	2017	2018	2019	5-Yr CAGR
Wake	739,752	757,654	776,006	794,533	813,471	832,905	2.4%
Durham	224,382	228,011	231,713	235,538	239,560	243,669	1.7%
Orange	113,363	115,144	116,897	118,680	120,430	122,244	1.5%
Primary SA	1,077,497	1,100,809	1,124,616	1,148,751	1,173,461	1,198,818	2.2%
Secondary SA	6,587,118	6,656,739	6,730,169	6,805,791	6,884,085	6,961,342	1.1%
NC Statewide Total	7,664,615	7,757,548	7,854,785	7,954,542	8,057,546	8,160,160	1.3%

Source: NCOSBM, Last updated 24APR2014
 Tables may not foot due to rounding

As shown in the table above, in the primary service area, the adult population aged 18+ is projected to increase by a total of 121,321 (1,198,818 – 1,077,497) residents during the next five years, a compound annual growth rate (CAGR) of 2.2 percent. Statewide the adult population is projected to increase by 495,545 (8,160,160 – 7,664,615) residents during the next five years, a CAGR of 1.3 percent. Thus, there is a very large and rapidly growing population in the primary service area, and the state as a whole. The applicant states that this demographic data supports the need for expanded access to mental health services in the primary service area and at Veritas. On page 48, the applicant states, “As the adult population continues to steadily increase in the primary and secondary service areas, the demand for behavioral health services will continue to increase.”

Availability of Eating Disorder Services

There are currently two adult inpatient psychiatric providers in Durham County, Duke University Medical Center (Duke) and Duke Regional Hospital (DRH). Both hospitals offer general psychiatric services in hospital based units, with 19 beds at Duke and 23 beds at DRH. On page 49, the applicant states,

“The Duke Center for Eating Disorders provides quality services to child, adolescent, and adult patients with eating disorders; their scope of practice, however, is limited to outpatient or intensive outpatient care.

Neither DRM nor The Williams Unit at Duke offers specialty eating disorder services. Each is programmatically structured to provide general inpatient adult psychiatric services focusing on depression, anxiety disorders, bipolar, schizophrenia, dual-diagnosis, and personality disorders. Thus, there are no dedicated, specialized adult inpatient psychiatric services for eating disorder patients within Durham County. There are no adult eating disorder programs offered within the existing inpatient psychiatric beds.”

There are also two adult inpatient psychiatric providers in Wake County, Holly Hill Hospital (HHH) and University of North Carolina Hospitals at Chapel Hill d/b/a University of North Carolina Hospitals at WakeBrook (UNC WakeBrook). On page 49 the applicant states,

“HHH is programmatically structured to provide adult general inpatient psychiatric services focusing on depression, anxiety disorders, bipolar, schizophrenia, dual-diagnosis, and personality disorders. UNCH WakeBrook’s patients are primarily intense acute patients, the majority of whom are referred to UNCH WakeBrook by UNC Hospitals’ specialized crisis center. Thus, there are no dedicated, specialized adult inpatient psychiatric services for eating disorder patients within Wake County.”

UNC Hospitals in Chapel Hill (Orange County) offers a 10-bed eating disorder program, comprised of a mixture of both adolescents and adults. On page 49 the applicant states,

“Admissions are typically split 50/50 by age group, thereby leaving only approximately five beds available for adults. ...

Veritas is anecdotally aware that due to overwhelming regional and national need, these beds are typically full, resulting in consistent referrals to Veritas for inpatient treatment.”

The applicant states that the majority of specialized eating disorder programs in North Carolina are based in residential, day treatment, or outpatient facilities, thus, the proposed facility will be the only provider of its kind in North Carolina for the inpatient treatment of eating disorder patients.

ED Patients Require Specialized Care

In Section III.1, page 50, the applicant states that eating disorders are the most lethal of all psychiatric illness. The applicant states,

“Eating disorders have the highest mortality rate of any psychiatric disorder. In particular, anorexia nervosa has a higher mortality rate than any other cause of death among females between the ages of 15 and 24, according to the National Institute of Mental Health.”

The applicant states that due to an exceedingly high mortality risk, eating disorder patients have unique needs necessitating specialized intervention at higher levels of care. On page 50, the applicant states,

“Persons treating patients with eating disorders (psychiatrists, physicians, psychologists, clinical social workers, dieticians) required specialized training and experience.

...

Further, third-party payors are beginning to seek out inpatient treatment programs for their members led or staffed by Certified Eating Disorder Specialists (CEDs), a one-of-a-kind core competency designation earned through the International Association of Eating Disorders Professionals (IAEDP). Veritas Collaborative’s

Chief Executive Officer, Chief Clinical Officer, and Dietetics Manager each hold this clinical designation.”

State Mental Health Initiative

In November 2013, Dr. Aldona Wos, Secretary of the North Carolina Department of Health and Human Services (NC DHHS) announced the Crisis Solutions Initiative to ensure that individuals experiencing acute mental health or substance abuse crisis receive timely and specialized psychiatric treatment. The applicant states that the proposed Veritas adult inpatient psychiatric bed project is entirely consistent with this expressed State objective. The proposed project will provide clinical care in a welcoming environment, individualized treatment plans, 24-hour nursing supervision, and an on-site clinical team comprised of psychiatrists, physicians, psychotherapists, and other health care professionals. The applicant states that its proposal is consistent with recent statewide initiatives to improve mental health services in North Carolina.

Prevalence of Eating Disorders & Need for Inpatient Psychiatric Beds

On page 54, the applicant provides the following table to summarize the prevalence of eating disorders among adults.

Lifetime Prevalence Estimates of DSM-IV Eating Disorders and Related Behavior

	Total Prevalence (Male & Female)
Anorexia Nervosa	0.5%
Bulimia Nervosa	1.0%
Binge-Eating Disorder	2.8%

Source: Hudson, et al, “Prevalence and Correlates of Eating Disorders in the National Comorbidity Survey Replication” Biol Psychiatry. 2007 Feb 1; 61(3): 248-258; erratum 2012

On page 48, the applicant provides the following population projections for the proposed service area:

Projected Population, Males & Females Age 18+

	2014	2015	2016	2017	2018	2019
Wake Co.	739,752	757,654	776,006	794,533	813,471	832,905
Durham Co.	224,382	228,011	231,713	235,538	239,560	243,669
Orange Co.	113,363	115,144	116,897	118,680	120,430	122,244
Primary SA	1,077,497	1,100,809	1,124,616	1,148,751	1,173,461	1,198,818
Secondary SA	6,587,118	6,656,739	6,730,169	6,805,791	6,884,085	6,961,342
Total	7,664,615	7,757,548	7,854,785	7,954,542	8,057,546	8,160,160

Source: NCOSBM, last updated April 24, 2014

On page 55, the applicant applies the prevalence rates above to the projected statewide service area population to arrive at the projected adult eating disorder patients in NC, as shown below.

Statewide Estimated Adult ED Patients (Male & Females 18+)

	2014	2015	2016	2017	2018	2019	Prevalence Rate
Anorexia Nervosa	38,323	38,788	39,274	39,773	40,288	40,801	0.5%
Bulimia Nervosa	76,646	77,575	78,548	79,545	80,575	81,602	1.0%
Binge-Eating Disorder	214,609	217,211	219,934	222,727	225,611	228,484	2.8%
Total	329,578	333,575	337,756	342,045	346,474	350,887	4.3%

Source: NCOSBM statewide population projections age 18+ & previously cited prevalence rates

The applicant states that these rates are conservative, considering that generally, eating disorders are often under-reported and under-diagnosed.

On page 56, applicant provides the following ED treatment rates, as shown in the following table, to quantify the estimated number of adults in the service area who may seek treatment for their eating disorder.

Statewide Estimated Adult ED Patient Treatment Seekers (Males & Females)

	2014	2015	2016	2017	2018	2019	Prevalence Rate
Anorexia Nervosa	3,832	3,879	3,927	3,977	4,029	4,080	10.0% ^A
Bulimia Nervosa	7,895	7,990	8,090	8,193	8,299	8,405	10.3% ^B
Binge-Eating Disorder	13,735	13,902	14,076	14,255	14,439	14,623	6.4% ^B
Total	25,462	25,771	26,094	26,425	26,767	27,108	7.7%

Totals may not foot due to rounding

^Awww.mentalhealthscreening.org; <http://www.state.sc.us/dmh/anorexia/statistics.htm>

^BHudson, et al, "Prevalence and Correlates of Eating Disorders in the National Comorbidity Survey Replication" Biol Psychiatry. 2007 Feb 1; 61(3): 248-258; erratum 2012

As shown in the table above in 2014, the weighted-average treatment rate of adult eating disorder patients is 7.7 percent ($25,464 / 329,578 = 0.077$). The applicant states that despite binge-eating disorder (BED) being the most common ED in the United States, it accounted for only 10 percent of patients served at Veritas' existing child and adolescent inpatient psychiatric hospital. Therefore, for the purposes of projecting adult eating disorder patients in the service area, the applicant reduced the BED treatment rate from 6.4 percent to 0.6 percent, as shown in the table below.

Statewide Estimated Adult ED Patient Treatment Seekers (Males & Females)

By Diagnosis

	2014	2015	2016	2017	2018	2019	Treatment Rate
Anorexia Nervosa	3,832	3,879	3,927	3,977	4,029	4,080	10.0% ^A

Bulimia Nervosa	7,895	7,990	8,090	8,193	8,299	8,405	10.3% ^B
Binge-Eating Disorder	1,373	1,390	1,408	1,425	1,444	1,462	0.6% ^C
Total	25,462	25,771	26,094	26,425	26,767	27,108	4.0%

^Awww.mentalhealthscreening.org; http://www.state.sc.us/dmh/anorexia/statistics.htm

^BHudson, et al, “Prevalence and Correlates of Eating Disorders in the National Comorbidity Survey Replication” Biol Psychiatry. 2007 Feb 1; 61(3): 248-258; erratum 2012

^C90% of BED ED treatment rate

The reduction in BED rate also reduced the total adjusted weighted-average treatment rate from 7.7 percent to 4 percent (13,100 / 329,578 = 0.397), as shown above.

On page 58, the applicant states that 7.5 percent of persons aged 18 and older received care for a serious mental health illness at the inpatient level of care according to the Substance Abuse and Mental Health Services Administration (SAMHSA) agency within the U.S. Department of Health and Human Services. Therefore, Veritas applied an estimated inpatient treatment rate of 7.5 percent to the statewide estimate of ED patient treatment seekers, as shown in the table below.

**Statewide Estimated Adult ED Patient Treatment Seekers
 Needing Inpatient Level of Care (Males & Females)**

	2014	2015	2016	2017	2018	2019
Anorexia Nervosa	287	291	295	298	302	306
Bulimia Nervosa	592	599	607	614	622	630
Binge-Eating Disorder	103	104	106	107	108	110
Total IP ED Treatment Seekers	983	994	1,008	1,020	1,033	1,046

Source: 7.5 percent of ED treatment seekers

Totals may not foot due to rounding

The applicant states that based on historical inpatient psychiatric experience at Veritas’ existing child and adolescent facility and the professional experience of Veritas’ Executive Leadership, the average length of stay (ALOS) for ED inpatient treatment is approximately six weeks (approximately 42 days). On page 58, the applicant states,

“Members of Veritas’ Board provide vast resources and experience pertinent to this topic. Specifically, Veritas Board Member Craig Johnson, PhD, is respected worldwide as a leading clinician and researcher on eating disorder illness treatment and outcomes. Dr. Johnson is Chief Clinical Officer for the Eating Recovery Center (Denver, CO), Founder of the National Eating Disorders Association, Founding Editor of the International Journal of Eating Disorders and Founding Member of the Academy for Eating Disorders. According to Dr. Johnston [Johnson], adequate inpatient lengths of stay for patients with anorexia nervosa range from 53 to 89 days (see Exhibit 25).”

On page 59, the applicant states that the most-up-to-date peer-reviewed data regarding inpatient ALOS cites a median ALOS of 113 days for adults. The applicant states that the use of an inpatient ALOS of 40 days to project ED inpatient treatment seekers is reasonable and supported based on its existing experience, and conservative compared to other data. Thus, in order to project ED inpatient treatment seekers, the applicant projects the demand

for adult inpatient psychiatric beds for treatment of EDs [2014 Bed Need = 983 treatment seekers x 40 ALOS / 365 = 107.72 beds need], as shown in the table below.

**Veritas Estimated Demand for Adult Inpatient Psychiatric Beds
 For Treatment of Eating Disorders**

	2014	2015	2016	2017	2018	2019
IP ED Patients	983	994	1,007	1,020	1,033	1,046
ALOS	40	40	40	40	40	40
Days of Care	39,301	39,778	40,276	40,788	41,316	41,842
Bed Need	108	109	110	112	113	115

Totals may not foot due to rounding

Therefore, the applicant’s need demonstration for 25 new psychiatric beds for inpatient eating disorders is reasonable, credible and supportive based on the number of beds needed for the proposed services in the proposed service area.

Release of DSM-5

On page 59-60, the applicant states that the American Psychiatric Association released the Diagnostic and Statistical Manual of Mental Disorders (DSM-5) in May 2013, identifying new eating disorder diagnoses. According to the applicant, the expanded definitions mean more people will meet clinical criteria for distinct eating disorder diagnoses, and thus represent an already-realized material demand for adult inpatient beds. Veritas states it intends to meet those needs.

The Affordable Care Act and Federal Parity Laws

On page 60, the applicant states that the Affordable Care Act (ACA) and Federal and State Parity Laws significantly increase access to mental health services and mandate broader access to inpatient mental health care including access to eating disorder care. The applicant states that according to the Mental Health Parity and Addiction Equity Act (MHPAEA), anorexia nervosa and bulimia nervosa are both mental health diagnoses that must be covered by insurance benefits equivalent to benefits for physical ailments by insurance companies offering mental health coverage. Therefore, an increase in the number of patients diagnosed with these disorders can reasonably be expected to increase. The applicant states that Veritas proposes to expand access to needed adult ED behavioral health services.

Utilization Projections

In Section IV.1, pages 72-73, the applicant provides projected utilization of the facility’s adult inpatient psychiatric beds for the first two full operating years following project completion, as illustrated in the tables below:

**Veritas Collaborative
 Adult Inpatient Psychiatric Beds, CY2017**

Table IV.4 First Project Year	First Quarter Jan-Mar	Second Quarter Apr-Jun	Third Quarter July-Sept	Fourth Quarter Oct-Dec	CY2017 Total
# of licensed IP Psychiatric beds	25	25	25	25	25
Total # of patients admitted	23	38	45	45	151
Total # of patient days of care	907	1,512	1,814	1,814	6,048
Average length of stay	40	40	40	40	40
Total # of discharged patients readmitted at later date					1

Total may not foot due to rounding

**Veritas Collaborative
 Adult Inpatient Psychiatric Beds, CY2018**

Table IV.4 First Project Year	First Quarter Jan-Mar	Second Quarter Apr-Jun	Third Quarter July-Sept	Fourth Quarter Oct-Dec	CY2018 Total
# of licensed IP Psychiatric beds	25	25	25	25	25
Total # of patients admitted	46	46	46	46	183
Total # of patient days of care	1,825	1,825	1,825	1,825	7,301
Average length of stay	40	40	40	40	40
Total # of discharged patients readmitted at later date					1

Total may not foot due to rounding

In Section IV.1(d), pages 74-84, the applicant provides the assumptions and methodology used to project utilization for the proposed project set forth below:

Step 1: Service Area Estimated Adult ED Patients

Veritas's primary service area for the proposed project includes Wake, Durham and Orange counties. The secondary service area includes the remaining counties in North Carolina and out of state.

On page 74, the applicant provides the following table of prevalence estimates of eating disorders among adults by diagnoses.

Lifetime Prevalence Estimates of DSM-IV Eating Disorders and Related Behavior

	Total Prevalence (Male & Female)
Anorexia Nervosa	0.5%
Bulimia Nervosa	1.0%
Binge-Eating Disorder	2.8%

Total	4.3%
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Source: Hudson, et al, "Prevalence and Correlates of Eating Disorders in the National Comorbidity Survey Replication" Biol Psychiatry. 2007 Feb 1; 61(3): 248-258; erratum 2012

The applicant then applies the combined ED prevalence rate above (4.3%) to the projected service area population, as shown in the table below.

Projected Population, Males & Females Age 18+

	2014	2015	2016	2017	2018	2019
Wake Co.	739,752	757,654	776,006	794,533	813,471	832,905
Durham Co.	224,382	228,011	231,713	235,538	239,560	243,669
Orange Co.	113,363	115,144	116,897	118,680	120,430	122,244
Primary SA	1,077,497	1,100,809	1,124,616	1,148,751	1,173,461	1,198,818
Secondary SA	6,587,118	6,656,739	6,730,169	6,805,791	6,884,085	6,961,342
Total	7,664,615	7,757,548	7,854,785	7,954,542	8,057,546	8,160,160

Source: NCOSBM, last updated April 24, 2014

**Statewide Estimated Adult ED Patients (Males & Females 18+)
 By County & Service Area**

	2014	2015	2016	2017	2018	2019	Combined ED Prevalence Rate
Wake Co.	31,809	32,579	33,368	34,165	34,979	35,815	4.3%
Durham Co.	9,648	9,804	9,964	10,128	10,301	10,478	
Orange Co.	4,875	4,951	5,027	5,103	5,178	5,256	
Primary SA	46,332	47,335	48,358	49,396	50,459	51,549	
Secondary SA	283,246	286,240	289,397	292,649	296,016	299,338	
Total	329,578	333,575	337,756	342,045	346,474	350,887	

Totals may not foot due to rounding

Step 2: Service Area Estimated Adult ED Patient Treatment Seekers

The applicant then estimated treatment rates for adults with eating disorders in the service area by the projected population and ED prevalence estimates above.

**Statewide Estimated Adult ED Patient Treatment Seekers (Males & Females)
 By Diagnosis**

	2014	2015	2016	2017	2018	2019	Treatment Rate
Anorexia Nervosa	3,832	3,879	3,927	3,977	4,029	4,080	10.0% ^A
Bulimia Nervosa	7,895	7,990	8,090	8,193	8,299	8,405	10.3% ^B
Binge-Eating Disorder	13,735	13,902	14,076	14,255	14,439	14,623	6.4% ^B

Total	25,462	25,771	26,094	26,425	26,767	27,108	7.7%
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Totals may not foot due to rounding

^Awww.mentalhealthscreening.org; <http://www.state.sc.us/dmh/anorexia/statistics.htm>

^BHudson, et al, "Prevalence and Correlates of Eating Disorders in the National Comorbidity Survey Replication" Biol Psychiatry. 2007 Feb 1; 61(3): 248-258; erratum 2012

However, for the purposes of projecting adult eating disorder patients in the service area, the applicant reduced the BED (binge-eating disorder) rate from 6.4 percent to 0.6 percent, as shown in the table below. The applicant states that while BED is the most common ED in the U.S., it accounted for only 10 percent of patients served at Vertias' existing child and adolescent inpatient psychiatric hospital, thus this reduction is both reasonable and conservative.

**Statewide Estimated Adult ED Patient Treatment Seekers (Males & Females)
 By Diagnosis**

	2014	2015	2016	2017	2018	2019	Treatment Rate
Anorexia Nervosa	3,832	3,879	3,927	3,977	4,029	4,080	10.0% ^A
Bulimia Nervosa	7,895	7,990	8,090	8,193	8,299	8,405	10.3% ^B
Binge-Eating Disorder	1,373	1,390	1,408	1,425	1,444	1,462	0.6% ^C
Total	13,100	13,259	13,425	13,596	13,772	13,947	4.0%

Totals may not foot due to rounding

^Awww.mentalhealthscreening.org; <http://www.state.sc.us/dmh/anorexia/statistics.htm>

^BHudson, et al, "Prevalence and Correlates of Eating Disorders in the National Comorbidity Survey Replication" Biol Psychiatry. 2007 Feb 1; 61(3): 248-258; erratum 2012

^C90% of BED treatment rate

In order to project the number of adults in the service area who may seek treatment for their ED, the following table applies this adjusted weighted-average treatment rate (4.0%) to the projected ED patients in Step 1.

**Service Area Estimated Adult ED Patient Treatment Seekers (Males & Females)
 By County & Service Area**

	2014	2015	2016	2017	2018	2019	Weighted Avg Treatment Rate
Wake Co.	1,264	1,295	1,326	1,358	1,390	1,424	4.0%
Durham Co.	384	390	396	403	409	416	
Orange Co.	194	197	200	203	206	209	
Primary SA	1,842	1,882	1,922	1,963	2,006	2,049	
Secondary SA	11,259	11,378	11,503	11,632	11,766	11,898	
Total	13,100	13,259	13,425	13,596	13,772	13,947	

Totals may not foot due to rounding

Step 3: Service Area Estimated Adult ED Patient Treatment Seekers Needing Inpatient Level of Care

The table below projects the number of adult ED patients in the service area needing inpatient care using an inpatient treatment rate of 7.5 percent, as published by the Substance Abuse and Mental Health Services Administration (SAMHSA) agency.

**Service Area Estimated Adult ED Patient Treatment Seekers
 Needing Inpatient Level of Care (Males & Females)
 By County & Service Area**

	2014	2015	2016	2017	2018	2019	Weighted Avg Treatment Rate
Wake Co.	95	97	99	102	104	107	7.5%
Durham Co.	29	29	30	30	31	31	
Orange Co.	15	15	15	15	15	16	
Primary SA	138	141	144	147	150	154	
Secondary SA	844	853	863	872	882	892	
Total	983	994	1,007	1,020	1,033	1,046	

Totals may not foot due to rounding

Step 4: Veritas Market Share for Adult ED Inpatients

On page 80, Veritas projects the market share for the proposed adult bed project:

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%

On page 80, the applicant states it based its projected adult IP ED market share on the following factors: lack of access to similar proposed services both locally, statewide and nationally, established relationships with referral sources in the identified service area, implementation of a comprehensive strategic outreach plan on educating referral sources about EDs and the recent addition of two staff dedicated to outreach. The applicant also states that between March 2012 and June 2014, Veritas received 133 inquiries for eating disorder treatment for adults.

Step 5: Veritas Projected Adult Psychiatric Inpatient Eating Disorder Patients

On page 81, the applicant projects the following out-of-state patients in addition to its service area market share projections (Step 4) during the initial three project years.

	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%

Total may not foot due to rounding

The applicant states the out-of-state projections above are based on limited adult IP ED access nationally and existing established relationships with national referrals sources. On page 82, the applicant states that the estimate of out-of-state patients is entirely reasonable in consideration of the vast number of adults nationally who need inpatient treatment for ED (2012 US adult population 240,185,952¹ x 4.3% ED prevalence rate x 4.0% treatment rate x 7.5% inpatient treatment rate = 30,983 US adult IP ED treatment seekers).

Step 6: Project Days of Care

To project days of care for the proposed adult inpatient psychiatric beds, Veritas applied an inpatient ALOS of 40 days to the projected ED patients in Step 5.

**Veritas Collaborative
 25-bed Adult Inpatient Facility
 Projected Utilization**

	First Quarter Jan-Mar	Second Quarter Apr-Jun	Third Quarter July-Sept	Fourth Quarter Oct-Dec	CY2018 Total
# of licensed IP psychiatric beds	25	25	25	25	25
Total # of patients admitted	46	46	46	46	183
Total # of patient days of care	1,825	1,825	1,825	1,825	7,301
ALOS	40	40	40	40	40
Occupancy	79.3%				

Totals may not foot due to rounding

Veritas will not be offering services until January 1, 2017

As shown in the table above, the applicant projects 1,825 patient days in the fourth quarter of Year 2, which is an occupancy rate of 79.3% [1,825 patient days / 92 = 19.84 / 25 = 79.3%]. This exceeds the requirement promulgated in 10A NCAC 14C .2603(b) for an occupancy rate of at least 75% by the fourth quarter of Year 2 of the project.

Access

As stated above, patients who are Medicare and Medicaid-eligible will be eligible to receive treatment at Veritas by way of the facility's Charity Care Policy. In Section VI.4, page 95, the applicant states that before a patient is determined to be eligible for the Charity Care Program, a financial evaluation is completed to determine the patient's financial status to

¹United States Census Bureau (most recent data available via www.census.gov)

determine whether or not an individual lacks the resources to pay for the services rendered. The applicant states that the patient's income will be compared to the Federal Poverty Guidelines as published annually in the Federal Register to determine Medicaid-eligibility. If a patient's income is less than 250% of the annual Federal Poverty Guidelines, Veritas Collaborative states that they will seek to relieve some or the entire financial obligation. The applicant also states that whenever possible, within the constraints of the Veritas Charity Care Policy, patients will not be denied a clinical evaluation or treatment based on lack of financial resources. On page 95, the applicant states that the Veritas Collaborative Board of Managers commits to provide charity care services at approximately 2.0% of operating expense per annum. In Section XIII, the applicant states that \$110,819 or 1.25% of operating expenses will be provided for charity care in the first full fiscal year, \$154,740 or 1.5% of operating expenses will be provided for charity care in the second full fiscal year and \$225,175 or 2.0% of operating expenses will be provided for charity care in the third full fiscal year. On page 97, the applicant states that Veritas does not include bad debt in charity care totals, but records it as a separate operating expense. See Exhibit 14 for the applicant's Charity Care and Patient Financial Policies and Procedures. The information provided by the applicant is reasonable, credible and adequately supports the determination that the applicant's proposal will promote equitable access.

The applicant adequately demonstrates the extent to which all residents of the area, including medically underserved populations, will have access to the proposed adult inpatient ED psychiatric services offered at Veritas.

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need the population to be served has for the proposed project and adequately demonstrates the extent to which all residents of the area, including medically underserved populations, will have access to the services. Therefore, the application is conforming with this criterion, subject to the conditions in Criterion (4).

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

NA

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

CA

In Section III.3, pages 64-66, the applicant discusses the alternatives considered prior to the submission of the application, which include:

Maintain the Status Quo. The applicant states it received 133 inquiries for eating disorders treatment for adults between March 2012 and June 2014. Of those, 62 appeared to meet criteria for inpatient level of care. Historically, the applicant states it has referred adult psychiatric patients to other facilities for eating disorders treatment. However, they too are often full. Knowing the specialized care required of these patients, the applicant states that access to appropriate inpatient psychiatric services is of utmost importance. The proposed project will accommodate the demand for adult inpatient behavioral health services in North Carolina for eating disorder treatment. Therefore, Veritas determined that the status quo would be an unacceptable alternative.

Develop the Proposed Psychiatric Beds in a Different Location. The applicant states that the cost of developing the proposed project in a different location did not vary significantly between alternatives that were considered. However, the proposed location in Durham was chosen based on its proximity to Veritas' existing behavioral health facility on Douglas Street, which the applicant states will better maximize clinical and administrative efficiencies.

Utilize Outpatient Services for the Treatment of Eating Disorders. The applicant states that while it considered utilizing local/community outpatient service resources to treat eating disorder patients, outpatient care alone is not enough for many people with an eating disorder diagnosis. Knowing the specialized care required of eating disorder patients, Veritas determined that outpatient services alone would not be an adequate alternative to meet the statewide need for more intensive eating disorder services, and thus, this would not be an effective alternative.

The applicant adequately demonstrates that the proposal is its least costly or most effective alternative to meet the need for the proposed inpatient psychiatric services. Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

- 1. Veritas Collaborative, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Veritas Collaborative, LLC shall develop no more than 25 inpatient psychiatric beds for adult eating disorder patients.**
- 3. Veritas Collaborative, LLC shall accept patients requiring involuntary admission for this type of inpatient psychiatric services provided at the facility.**
- 4. Veritas Collaborative, LLC shall submit to the Certificate of Need Section an annual report for each of the three full calendar years following the issuance of the certificate of need to document that at least 2.0% of annual gross revenue amounts to charity/indigent care as that term was defined by Veritas Collaborative, LLC. The report shall be submitted to the Certificate of Need**

Section no later than April 15 of the following year and shall contain at least the following information:

- a) **The total number of patient days of care**
 - b) **The total number of patients served**
 - c) **Total gross revenue**
 - d) **The total dollar amount of charity care**
5. **Prior to Issuance of the Certificate of Need, Veritas Collaborative, LLC shall submit to the Certificate of Need Section written documentation of how they will meet the needs of medically unstable or psychiatrically unstable patients.**
 6. **Veritas Collaborative, LLC shall develop and submit to the Certificate of Need Section governing body policies as required within 10A NCAC 27G.0201 in relation to the addition of NGFT treatment at its facility. The governing body polices will include quality assurance and quality improvement for the NGFT with methods for monitoring and evaluating the quality and appropriateness of client care including delineation of client outcomes and utilization of services. See 10A NCAC 27G.0201(a)(7)(c). The governing body policies will include a medical preparedness plan to be utilized in a medical emergency in relation to the NGFT treatment. See 10 A NCAC.27G.0201(a)(9).**
 7. **Veritas Collaborative, LLC shall employ necessary staff for the addition of NGFT treatment at its facility. Veritas will maintain a job description for the necessary staff specifying the minimum level of education, competency, work experience and other qualifications for the position. The specific duties and responsibilities of the position will be included in the job description. See 10A NCAC.27G.0202(a).**
 8. **Veritas Collaborative, LLC shall not provide intravenous (IV) services unless it first obtains a declaratory ruling authorizing the provision of such services pursuant to N.C. Gen. Statute § 150B-4 and the rules of the North Carolina Department of Health and Human Services (NCDHHS), Division of Health Service Regulation (DHSR).**
 9. **Veritas Collaborative, LLC 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.

In Section VIII.1, page 115, the applicant projects the total capital cost for the project will be \$9,125,033, including \$6,984,351 for construction cost, \$557,100 for movable equipment, \$1,158,582 for furniture and \$425,000 for consultant fees.

In Section IX.1, page 120, the applicant projects start-up expenses of \$160,000 and initial operating expenses of \$1,000,000, for a total working capital requirement of \$1,160,000. The applicant stated previously that the capital expenditure for the proposed project includes both the partial hospitalization program (PHP) and the inpatient psychiatric hospital.

In Section VIII.2, page 116, the applicant states that the project will be funded with accumulated reserves and private investments. Exhibit 15 contains a letter, dated June 2, 2014, from the Chief Financial Officer of Veritas, which states:

“Veritas Collaborative, LLC will fund the required capital through a combination of accumulated cash reserves (approximately \$200,000 of current cash reserves), cash flow generated by our adolescent facility during 2014 (estimated at \$800,000), and funds raised from investors. Veritas Collaborative has a history of success in raising funds from investors, having raised \$3 million for the construction and operation of the adolescent facility that has been in operation since 2012. Our current investors have expressed the willingness and the ability to fund the new adult project. We anticipate funding the working capital requirements with a commercial bank loan.”

Exhibit 15 also contains a letter dated June 3, 2014, from the Chairman of the Board of Managers for Veritas Collaborative, LLC, which states,

“I am writing this letter to document that Veritas Collaborative, LLC has the ability to fund the construction and working capital associated with developing a new adult psychiatric hospital in North Carolina.

I am the Chairman of the Board of Veritas Collaborative, was the initial outside investor, recruited a world class Board of Managers, led the financing effort by raising equity funding from Angel investors, and helped arrange for bank-based debt financing for the adolescent hospital that opened in 2012. I have been active in the North Carolina business community for many years and have a significant number of long-standing contacts in the Venture Capital and Angel investor communities. I have been involved in raising more than \$2 billion for various companies over the course of my career, including private and public financings.

On behalf of Veritas Collaborative, we raised \$3 million for the construction and operation of the adolescent hospital that has been in operation since 2012. The Board members and certain members of the management team personally invested more than \$660,000 of the funds raised. Our Board and current investors have expressed the willingness and the ability to fund the new adult project. With the Board of Managers, we are positioned to access the needed equity and debt capital for the new facility proposed by Veritas.

We also have a history of success working with a bank to provide capital. Veritas currently has a line of credit that has been used to provide working capital for our adolescent hospital, and we are already in discussions about providing a line of credit for the new facility. The Board of Managers is also willing to invest debt capital as required to continue to grow Veritas.

Upon approval of this project, Veritas will immediately work with our Board, our investors and banks to ensure that all necessary funds will be available for the proposed project.

As Chair of the Board of Managers of Veritas Collaborative, LLC I am extremely confident we will be able to raise all funds necessary for the development and operation of this project.”

In Exhibit 16, the applicant provides a copy of Veritas’ income statement and balance sheet as of April 30, 2014. As of April 30, 2014, Veritas had \$354,772 in cash, \$6,841,549 in total assets and \$1,956,503 in net assets (total assets – total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project.

In the proformas, the applicant provides the projected charges and costs for the project, in addition to the assumptions used to calculate the pro formas. Form C, Statement of Revenues and Expenses, shows revenues in excess of expenses for inpatient psychiatric services in each of the first three years of operation following project completion. The assumptions used by the applicant in preparation of the pro formas are reasonable, including the projected number of patient days of care. See the Financials Section of the application for the pro formas and assumptions. See Criterion (3) for discussion of utilization projections which is incorporated hereby as if set forth fully herein.

The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues, and therefore, the application is conforming with 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

Veritas Collaborative, LLC (Veritas) proposes to develop a new 25-bed inpatient psychiatric hospital designated for adult male and female eating disorder patients, pursuant to an adjusted need determination in the 2014 State Medical Facilities Plan (SMFP). Veritas petitioned the North Carolina State Health Coordinating Council (SHCC) in July 2013 to recommend that adult psychiatric beds dedicated to serving patients with eating disorders be included in the 2014 SMFP. In October 2013, the SHCC approved the inclusion of 25 statewide adult inpatient psychiatric beds dedicated to eating disorder treatment. Veritas was the only applicant to apply for any of the 25-beds. There are currently two adult inpatient

psychiatric providers in Durham County, Duke University Medical Center (Duke) and Duke Regional Hospital (DRH). Both hospitals offer general psychiatric services in hospital based units, with 19 beds at Duke and 23 beds at DRH. There are also two adult inpatient psychiatric providers in Wake County, Holly Hill Hospital (HHH) and University of North Carolina Hospitals at Chapel Hill d/b/a University of North Carolina Hospitals at WakeBrook (UNC WakeBrook). HHH is programmatically structured to provide adult general inpatient psychiatric services focusing on depression, anxiety disorders, bipolar, schizophrenia, dual-diagnosis, and personality disorders. UNCH WakeBrook's patients are primarily intense acute patients, the majority of whom are referred to UNCH WakeBrook by UNC Hospitals' specialized crisis center. Thus, there are no dedicated, specialized adult inpatient psychiatric services for eating disorder patients within Wake County. UNC Hospitals in Chapel Hill (Orange County) offers a 10-bed eating disorder program, comprised of a mixture of both adolescents and adults. Their admissions are typically split 50/50 by age group, thereby leaving only approximately five beds available for adults.

The applicant also states that the majority of specialized eating disorder programs in North Carolina are based in residential, day treatment, or outpatient facilities, thus, the proposed facility will be the only provider of its kind in North Carolina for the inpatient treatment of eating disorder patients.

The applicant's discussion, summarized in Criterion (3), regarding the availability of inpatient psychiatric beds to serve adult eating disorder patients is hereby incorporated by reference as if set forth fully herein.

The applicant adequately demonstrates that the proposed project will not result in unnecessary duplication of existing or approved inpatient psychiatric beds to serve adult eating disorder patients. Consequently, the application is conforming with 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 for the entire facility, as shown in Section VII.2, page 105 and 109.

**Veritas Collaborative
 Projected Staffing, CY2018**

Position	Total # of FTE Positions
Clinical Director	1.0
Assistant Clinical Director	1.0
Medical Director	1.0
Nurse Practitioner	1.0
Psychiatrists*	2.0
Psychologist	5.0
Psychiatric Registered Nurses	6.0

Nurse Manager	1.0
Assistant Nurse Manager	1.0
Licensed Practical Nurses	5.0
Social Workers	5.0
Clerical Support	2.1
Dietician	4.0
Art Therapist	1.0
Intake Coordinator	3.0
Outreach Coordinator	4.0
Administration Support	10.0
Finance/Business Office	3.0
Therapeutic Assistant	19.0
Culinary	5.0
Total	80.1

* Other psychiatrists are on the Medical Staff and are not employed by Veritas, but provide professional services at Veritas.

As shown above, the applicant proposes to staff the entire facility with 80.1 FTEs. In Section VII.3, pages 106-107, the applicant discusses its existing activities for recruiting qualified staff and states: *“This area has superfluity of clinicians and technicians seeking healthcare jobs/careers locally. In fact, Veritas regularly receives an abundance of applications for clinical and other positions at its existing child/adolescent facility.”* In Section VII.8, page 113, the applicant identifies the Medical Director for the proposed psychiatric facility and states that the proposed Medical Director is board-certified by the American Board of Psychiatry and Neurology and has served as the MD for Veritas’ child and adolescent facility since March 2013. Exhibit 19 contains a signed letter from the proposed Medical Director which states she will serve as Medical Director. 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 with this criterion.

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

C

In Section II.9, page 29, the applicant identifies the necessary ancillary and support services that will be made available for the facility. Exhibit 21 contains letters of support from area healthcare providers and a contact log of providers including providers from Georgia, Florida West Virginia and the Washington, DC area. Exhibit 20 contains copies of clinical consulting contracts with service providers. 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 with 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.

C

The applicant states it proposes to serve patients at the facility from out-of-state because of the specialized nature of the proposed services and the limited resources available for inpatient eating disorder patients nationwide. On page 69, the applicant states, *“As the proposed project will be among a small, elite group of superlative eating disorders hospitals in the United States, Veritas projects to receive referrals to treat adults from other states as well. This is consistent with the experience of Veritas’ existing child and adolescent services.”* On page 82, the applicant states that the estimate of out-of-state patients is entirely reasonable in consideration of the vast number of adults nationally who need inpatient treatment for ED (*2012 US adult population 240,185,952² x 4.3% ED prevalence rate x 4.0% treatment rate x 7.5% inpatient treatment rate = 30,983 US adult IP ED treatment seekers*).

In Section III.4, page 67, the applicant states that over 58 percent of the child and adolescent patients who received psychiatric inpatient treatment at Veritas in CY2013 were from out of state. In Section IV, page 81, the applicant states it is projecting to serve 68 out-of-state patients in operating year 1 (45% of total) and 78 out-of-state patients in operating year 2 (40% of total). The applicant states it has established relationships with national referrals sources, which include Georgia, Florida and the Washington, DC area, as shown in the provider referral contact log in Exhibit 21. Therefore, the out-of-state patient origin projections for adult psychiatric inpatient services are conforming to this criterion and consistent with the experience of the applicant’s existing services.

- (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.

²United States Census Bureau (most recent data available via www.census.gov)

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.

C

In this application, Veritas proposes to develop a new 25-bed inpatient psychiatric hospital designated for adult male and female eating disorder patients, pursuant to an adjusted need determination in the 2014 SMFP. Veritas proposes to develop the adult inpatient psychiatric beds in 54,000 square feet of leased space close to its existing child and adolescent behavioral health facility. The proposed facility will be located at 2812 Erwin Road in Durham, approximately a half mile from the existing child/adolescent facility. The adult inpatient psychiatric hospital facility will feature three private inpatient rooms (3-beds) and 11 semi-private inpatient rooms (22-beds) for a total of 14 rooms and 25-beds.

In Section VIII.1, page 114, the applicant states,

“With approval of the adult inpatient psychiatric hospital project, Veritas intends to also provide a partial hospitalization program (PHP) in the same facility, in adjacent spaces. ...Therefore, the architect allocated construction costs to the adult inpatient bed spaces and the PHP spaces based on facility square footage.”

Exhibit 17 contains a letter from the New City Design Group architectural firm, certifying that the total capital costs are estimated to be \$9,050,033, not including the \$75,000 costs for administrative and legal fees. The letter states in part:

“New City Design group has reviewed the proposal submitted by Veritas Collaborative, LLC for the build-out construction of approximately 54,000 sf of shell space in a Durham, NC office building (proposed Erwin Terrace III or Obey Creek in Chapel Hill).

It is our opinion that the scope of work is adequate to complete the project as discussed and outlined by this proposal. Furthermore, the project estimate of \$9,050,033 USD is reasonable for the proposed tenant scope of work for the project when compared to other similar build-outs in North Carolina.”

The total capital costs estimate from the architect is consistent with the total capital cost of the project stated in Section VIII. In Section XI.7, pages 135-136, the applicant discusses various techniques and policies they will consider implementing to address energy efficiency and water

conservation. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative for the project they propose, and that the construction costs will not unduly increase costs and charges for health services. See Criterion (5) for discussion of costs and charges which is hereby incorporated by reference as if set forth fully herein. Therefore, the application is conforming to this criterion.

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

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

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

NA

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

C

In Section VI.12, page 102, the applicant provides the projected payor mix for the adult inpatient psychiatric beds during Project Year 2, which is shown in the following table.

Payor	Patient Days as % of Total
Self Pay/ Indigent/ Charity*	4.0%
Commercial Insurance	38.0%
Blue Cross	58.0%
Total	100%

Table may not foot due to rounding

*The application projects to provide charity care in the amounts of \$110,819 (1.25%) in Year 1 and \$154,740 (1.50%) in Year 2

The applicant states on page 102 that the projections above are for CY2017, which is the first full fiscal year of the proposed project, however, when calculated by the analyst, the projected payor mix is the same for CY2018 (Project Year 2), based on Form B of the applicant's proformas. The applicant demonstrates that medically underserved populations would have adequate access to services offered at Veritas after project completion. See Criterion (1) for discussion of access to medically underserved groups which is hereby incorporated by reference as if set forth fully herein. Therefore, the application is conforming with this criterion.

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

C

In Section VI.8, page 98, the applicant discusses the means by which patients will have access to the proposed services, which include physicians or psychotherapists, psychiatrists, other clinicians (registered dietitians and nurse practitioners), self-referrals or family referral, schools/school mental health staff, hospitals and other treatment centers. In Exhibit 21, the applicant provides the names of facilities, agencies and individual professionals from which referrals are expected. The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to adult inpatient psychiatric services. The information provided in Section VI.8 is reasonable and credible and supports a finding of conformity with this criterion.

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

C

In Section V.1, page 85, the applicant states that Veritas has an existing training relationship with the Watts School of Nursing, The Duke University School of Nursing, and the Duke University School of Medicine, whereby nursing and medical students participate in a clerkship at Veritas. Exhibit 13 contains documentation of these clinical training relationships. On page 85, the applicant states, "*Veritas will continue to be available to accommodate the clinical needs of any applicable health professional training program in the area.*" 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

Pursuant to a need determination in the 2014 SMFP, Veritas proposes to develop a new 25-bed inpatient psychiatric hospital designated for adult male and female eating disorder patients close to its existing child and adolescent behavioral health facility in Durham. Veritas was the only applicant to apply for any of the 25-beds pursuant to the adjusted need determination in the 2014 SMFP.

Veritas is located in Durham. In addition to Veritas' existing facility, Table 15A: *Inventory of Psychiatric Beds, Excluding State Hospitals by Local Management Entity-Management Care Organization (LME-MCO)* identifies two other facilities in Durham, Duke Regional Hospital and Duke University Medical Center that have inpatient psychiatric beds. Both hospitals offer general psychiatric services in hospital based units, with 19 beds at Duke and 23 beds at DRH. However, according to the applicant, neither facility offers a dedicated, specialized adult inpatient psychiatric service for eating disorder patients.

There are also two adult inpatient psychiatric providers in Wake County, Holly Hill Hospital (HHH) and University of North Carolina Hospitals d/b/a University of North Carolina Hospitals at WakeBrook (UNC WakeBrook). However, according to the applicant, neither facility offers a dedicated, specialized adult inpatient psychiatric service for eating disorder patients. UNC Hospitals in Chapel Hill (Orange County) offers 76 psychiatric beds, only 10 of which are dedicated to treating eating disorder patients, however, it is comprised of a mixture of both adolescents and adults. The applicant states that due to overwhelming regional and national need, these beds are typically, full, resulting in consistent referrals to Veritas for inpatient treatment.

In Section V, pages 89-90, the applicant discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed eating disorder services for adult psychiatric inpatients. The applicant states,

“Veritas is the only free standing specialty behavioral health hospital for the treatment of eating disorders, and has earned a reputation of being a high-quality health care provider. Whenever possible and in accordance with Veritas’ Charity Care policy, Veritas will continue to provide behavioral health services to patients with limited or no financial resources. Clearly, local residents will be well served by the proposed project.”

The proposed project is certainly innovative with respect to behavioral health services and will positively impact competition by promoting access to services, quality care, and cost-effectiveness.

...

Veritas will provide all services to adult patients with the primary diagnosis of an eating disorder, regardless of income, racial/ethnic origin, gender physical or mental conditions, religious affiliation, national origin, ability to pay or any other factor that would classify a patient as underserved.

...

Whenever possible, members of the multidisciplinary team work together to keep a patient in treatment despite adverse insurance decisions or burdensome financial circumstances. Based on its demonstrated commitment, low income and medically underinsured or uninsured adults will have access to all behavioral health services provided at Veritas' proposed adult facility.

...

In an increasingly competitive health care climate with limited resources, it is imperative that providers demonstrate excellence in their practices. Behavioral health patients require and deserve high-quality care. Veritas consistently reviews data and processes to determine how services can, and must be improved.

...

Veritas does all within its power to enact its core philosophy – 'treat to outcome, not to resource.' ...This approach to care is intended to ensure a positive outcome for patients and prevent future crises, which in the long-term will maximize healthcare value.

Additionally, Veritas is committed to active involvement efforts to contain operational costs inherent to running a mental health hospital. ...”

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

The applicant adequately demonstrates that any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need for 25 inpatient psychiatric beds. The applicant also demonstrates that the proposed project is a cost-effective alternative to meet the need to provide additional access to adult psychiatric services. See Criterion (3) for discussion of utilization which is hereby incorporated by reference as if set forth fully herein.
- The applicant adequately demonstrates it will continue to provide quality services.
- The applicant adequately demonstrates it 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

The applicant currently provides inpatient psychiatric services. According to files in the Acute and Home Care Licensure and Certification Section, DHSR, Veritas Collaborative, LLC has had no quality of care issues within the eighteen months immediately preceding the date of this decision. 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 with 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, pages 68-69, the applicant provides projected patient origin by percentage by county of residence as well as all assumptions and the methodology for projecting occupancy of the 25 proposed psychiatric beds.
 - (b) *An applicant proposing to establish new psychiatric beds shall project an occupancy level for the entire facility for the first eight calendar quarters following the completion of the proposed project, including average length of stay. All assumptions and the methodology for projecting occupancy shall be stated.*

- C- In Section IV, pages 72-84, the applicant provides the projected utilization and the occupancy level for the 25 proposed psychiatric beds for each of the first eight calendar quarters following project completion, including average length of stay, for the entire facility. The assumptions and methodology used are stated.
 - (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.*

- NA- This is a new facility.
 - (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- In Section II.2, page 34, the applicant describes the general treatment plan that is anticipated to be used by the facility and the support services to be provided. In Section II, page 26, the applicant states, *“Whereas Veritas’ inpatient facility does not focus on dual-diagnosis treatment, many patients have sub-clinical concerns with alcohol and/or other drugs. Supported access to age-appropriate chemical dependency groups is made available to patients with these needs.”*
 - (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- In Section II, page 35, the applicant states that it has achieved working relationships with local health care providers and others who refer patients for treatment of eating disorders as exemplified by the utilization and high occupancy of Veritas’ existing child/adolescent inpatient psychiatric beds. The applicant further states, *“Veritas’ Executive Team has established and will continue to cultivate solid relationships with health providers throughout the service area, as well as throughout the state of North Carolina.”* Letters of support from local health care providers who currently refer or are anticipated to refer patients to Veritas are contained in Exhibit 21.

- (f) *The applicant shall provide copies of any current or proposed contracts or agreements or letters of intent to develop contracts or agreements for the provision of any services to the clients served in the psychiatric facility.*
- C- Exhibit 20 contains copies of contracts for the provision of services to the clients in the existing Veritas' facility.
- (g) *The applicant shall document that the following items are currently available or will be made available following completion of the project:*
- (1) *admission criteria for clinical admissions to the facility or unit;*
- C- Admission criteria for clinical admissions to the facility are provided on page 28 of the application and in Exhibit 2.
- (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- On page 36, the applicant states that emergency services will be provided on a 24-hour basis. Exhibit 8 contains documentation regarding a prospective transfer agreement with Duke University Hospital for the proposed services.
- (3) *client evaluation procedures, including preliminary evaluation and establishment of an individual treatment plan;*
- C- Exhibit 2 contains copies of the Basic Prevention, Screening and Physical Health Care Services and Timing of Multidisciplinary Assessments policies utilized by Veritas. The applicant states, "*Exhibit 2 also contains a description of services provided at Veritas, including admission criteria and program structure. Please also refer to Sections II.2, II.4, and II.8, regarding client evaluation procedures and treatment plans.*"
- (4) *procedures for referral and follow-up of clients to necessary outside services;*
- C- On pages 36-38, the applicant provides its procedures for referral and follow-up of clients to necessary outside services.
- (5) *procedures for involvement of family in counseling process;*
- C- On page 39 and Exhibit 2, the applicant provides its procedures for involvement of family in the counseling process.
- (6) *comprehensive services which shall include individual, group and family therapy; medication therapy; and activities therapy including recreation;*
- C- On page 39, the applicant states that comprehensive services including individual, group and family therapy; medication therapy; and activities therapy, including recreation, will be provided. Exhibit 2 and Section II.2 include descriptions.

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

-NA- This facility is not for child or adolescent beds.

(8) provision of an aftercare plan; and

-C- On page 39, the applicant states that Veritas utilizes aftercare plans as described in its Discharge Planning Policy in Exhibit 2.

(9) quality assurance/utilization review plan.

-C- Exhibit 9 and Section II.11 contain descriptions of Veritas' quality assurance/utilization review plans.

(h) An applicant proposing to establish new psychiatric beds shall specify the primary site on which the facility will be located. If such site is neither owned by nor under option by the applicant, the applicant shall provide a written commitment to pursue acquiring the site if and when a certificate of need application is approved, shall specify at least one alternate site on which the facility could be located should acquisition efforts relative to the primary site ultimately fail, and shall demonstrate that the primary site and alternate sites are available for acquisition.

-C- In Section XI, page 125 and Exhibit 18, the applicant states that Veritas anticipates developing the proposed adult inpatient psychiatric beds in leased space on Erwin Road, proximate to its existing facility in Durham. The applicant states that the facility will utilize a lease renewable every 12 years.

(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- On page 40 the applicant states that the facility will provide services in a physical environment which conforms with the requirements of 10A NCAC 27G .0300. Exhibit 11 contains a letter from Stacie McEntyre, President & CEO of Veritas Collaborative, documenting plans to conform with these requirements.

(j) An applicant proposing to establish new adult or child/adolescent psychiatric beds shall provide:

(1) documentation that adult or child/adolescent inpatient psychiatric beds designated for involuntary admissions in the licensed hospitals that serve the proposed mental health planning area were utilized at less than 70 percent for facilities with 20 or more beds, less than 65 percent for facilities with 10 to 19 beds, and less than 60 percent for facilities with one to nine beds in the most recent 12 month period prior to submittal of the application; or

(2) *a written commitment that the applicant will accept involuntary admissions and will meet the requirements of 10A NCAC 26C .0103 for designation of the facility, in which the new psychiatric beds will be located, for the custody and treatment of involuntary clients, pursuant to G.S. 122C-252.*

- C- Exhibit 12 contains a letter from the President & CEO of Veritas Collaborative which states that the facility will accept involuntary admissions and will meet the requirements of 10A NCAC 26C .0103.

.2603 PERFORMANCE STANDARDS

(a) *An applicant proposing to add psychiatric beds in an existing facility shall not be approved unless the average occupancy over the six months immediately preceding the submittal of the application of the total number of licensed psychiatric beds within the facility in which the beds are to be operated was at least 75 percent.*

- NA- This is not an existing facility.

(b) *An applicant proposing to establish new psychiatric beds shall not be approved unless occupancy is projected to be 75% for the total number of licensed psychiatric beds proposed to be operated in the facility no later than the fourth quarter of the second operating year following completion of the project.*

- C- In Section IV, pages 72-73, the applicant provides projected utilization for the first two project years (CY2017 and CY2018) by quarter. In the fourth quarter of the second operating year (October 2018 – December 2018) following completion of the proposed project, Veritas projects a total of 1,825 patient days of care, which is an occupancy rate of 79.4% [25 beds x 92 days (three months) = 2,300 possible days of care; 1,825 projected patient days of care / 2,300 total days = 0.7935 or 79.4%] which exceeds the 75% average occupancy required by this Rule. Referring

.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 II, page 42 and Section VII.5, page 109, the applicant provides a listing of disciplines and a staffing pattern covering seven days per week and 24 hours per day.

(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 6 contains a list of licensed psychiatrists providing care in Veritas' primary service area, documenting the availability of psychiatrists specializing in the treatment of psychiatry.
- (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- This is not an existing facility.
- (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- In Section II, page 43, and Exhibit 19 the applicant documents that Dr. Kerry Landry, board certified by the American Board of Psychiatry and Neurology, will serve as Medical Director for Veritas' existing and proposed inpatient psychiatric programs.
- (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 II, page 43, the applicant states that Veritas will have available staff to serve involuntary admissions. The applicant states, "*Veritas customarily staffs above and beyond requirements per 10A NCAC 27G .6002. Please refer to Section VII for staffing details.*"
- (f) *A proposal to provide new or expanded psychiatric beds must describe the procedures which have been developed to admit and treat patients not referred by private physicians.*
- C- In Section II, page 43, the applicant states that patients referred from sources other than private physicians must meet the same admission criteria as patients referred by private physicians, as outlined in Section II.7. The applicant further states that patients will also be treated using the same treatment protocols described in Section II.2(a).
- (g) *A proposal to provide new or expanded psychiatric beds shall indicate the availability of training or continuing education opportunities for the professional staff.*
- C- In Section II, page 43, and in Exhibit 10, the applicant describes the availability of training or continuing education opportunities for the professional staff.