

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: October 26, 2018
Findings Date: November 2, 2018

Project Analyst: Tanya Saporito
Team Leader: Gloria C. Hale

Project ID #: H-11521-18
Facility: Samaritan Women's Recovery Center
FID #: 180262
County: Richmond
Applicant(s): The Samaritan Colony, Incorporated
Project: Develop a 14-bed chemical dependency treatment facility for adult women pursuant to the need determination in the 2018 SMFP

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, The Samaritan Colony, Incorporated, proposes to develop 14 adult chemical dependency treatment beds for women at a new facility, Samaritan Women's Recovery Center ("Samaritan"), in Rockingham pursuant to an adjusted need determination in the 2018 State Medical Facilities Plan (SMFP).

Need Determination

The State Health Coordinating Council approved a petition for an adjusted need determination in the 2018 SMFP for 14 adult chemical dependency treatment beds to treat women in Richmond County, in the Central Region. The applicant proposes to develop no more than 14

adult chemical dependency treatment beds to treat women in the Central Region; therefore, the application is conforming to the adjusted need determination in the 2018 SMFP.

Policies

The following three policies in the 2018 SMFP are applicable to this review: Policy MH-1, Policy GEN-3, and Policy GEN-4.

Policy MH-1, Linkages Between Treatment Settings, on page 27 of the 2018 SMFP 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 entity-managed care organization has been contacted and invited to comment on the proposed services.”

In Exhibit B.3, the applicant provides a letter from the Sandhills Center LMC/MCO that expresses support for the proposal.

Policy GEN-3, Basic Principles, on page 33 of the 2018 SMFP states:

“A certificate of need 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 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 certificate of need 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 certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

In Section B, pages 15 – 22, the applicant explains why it believes its application is conforming to Policy GEN-3. On page 15, the applicant discusses the environment and safety; on page 16, the applicant discusses the gender-sensitive, integrated, trauma informed program it will offer. The plans for equitable access and other indications of quality are discussed on pages 17 – 22.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 33 of the 2018 SMFP, states:

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

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-

178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is 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."

The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million; therefore, Policy GEN-4 is applicable to this review. In Exhibit B.5, the applicant provides a May 1, 2018 letter from Stogner Architecture Group, which describes the energy efficiency and water conservation methods that will be used in the development of the chemical dependency treatment facility. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose to develop more chemical dependency treatment beds than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy MH-1 because it provides information from Sandhills Center LMC/MCO indicating support for and willingness to continue to work with the applicant.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 because on pages 16 – 22 it discusses the efforts already undertaken and planned to be undertaken to ensure safety, quality and access to the chemical dependency treatment services it proposes to offer.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because it provides information from an architectural firm that confirms the project will be developed in a manner that is consistent with all applicable federal and state regulations related to energy efficiency.

- (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.

NC

The applicant proposes to develop 14 adult chemical dependency treatment beds for women at a new facility, Samaritan, in Rockingham pursuant to an adjusted need determination in the 2018 State Medical Facilities Plan (SMFP).

The applicant operates Samaritan Colony, a men's chemical dependency treatment facility located in Rockingham, Richmond County. Samaritan will be located adjacent to the existing men's facility. The applicant states in Section C.1, page 23 that the facility will treat women with a "*chronic substance abuse disorder with symptoms that cannot be managed at a lower level of care.*" In addition, the applicant states in Section C that women who suffer from addiction often suffer "*co-occurring mental health disorders*", such as eating disorders, depression and anxiety, and other mental health issues. The applicant states the facility will specifically treat these types of co-occurring disorders along with substance use disorders.

Patient Origin

On page 383, the 2018 SMFP defines the service area for chemical dependency treatment beds as the mental health planning region in which the bed is located. Thus, the service area for this facility consists of the central region, which includes counties within Health Service Areas (HSA's) II, III, IV and V. Facilities may also serve residents of counties not included in their service area.

The Samaritan Women's Recovery Center does not exist and thus has no existing patient origin; however, the applicant utilizes the patient origin reported by The Samaritan Colony and A Path of Hope, a co-ed chemical dependency treatment facility located in the Central Region LME/MCO, to project patient origin. The following table illustrates that projection:

COUNTY	FIRST FULL FY (7/1/2020 – 6/30/2021)		SECOND FULL FY (7/1/2021 – 6/30/2022)		THIRD FULL FY (7/1/2022 – 6/30/2023)	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Anson	6	4%	7	4%	8	4%
Guilford	8	6%	9	6%	9	6%
Harnett	5	3%	4	3%	5	3%
Hoke	4	2%	3	2%	3	2%
Lee	4	2%	3	2%	3	2%
Montgomery	6	4%	7	4%	8	4%
Moore	45	37%	48	37%	51	37%
Randolph	16	12%	17	12%	18	12%
Richmond	24	21%	28	21%	29	21%
Total	118	100%	126	100%	134	100%

Source: Section C.3, page 26.

In Section C, page 25, and in supplemental information provided at the Agency’s request, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 26 – 27, and in supplemental information provided at the Agency’s request, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. In supplemental information provided at the Agency’s request, the applicant references a study by Dr. Stephanie S. Covington, a specialist in women’s addiction issues, and states:

“Recent research indicates that 55% to 99% of women with co-occurring disorders, such as anxiety, depression, eating disorders, etc. have experienced trauma from abuse. Trauma histories, including sexual and physical assault, may make certain treatment approaches or mixed-gender treatment programs less desirable for women. There is growing recognition of the complex needs of women with dual diagnoses of substance abuse and mental health disorders. Dr. Stephanie S. Covington ... has developed an innovative, gender-responsive, and trauma-informed approach to the treatment needs of women and we will use much of her approach of treatment services [sic] in our facility.”

The applicant also states, in supplemental information, that Samaritan Colony for men has been treating men in the Central Region for many years; however, there is no facility in the area that offers the same service specifically for women. The applicant states A Path of Hope, which is a co-ed chemical dependency treatment facility in Lexington, often has a waiting list as long as six weeks for women to receive treatment. The wait often discourages women from seeking the treatment they need. There is a state-operated treatment facility, R. J. Blakely in Butner; however, the applicant states that facility will only admit women if there is a “*medical necessity for detox.*” According to Mapquest®, Lexington is 83 miles from Rockingham, the proposed location of Samaritan Women’s Colony. Similarly, Butner is 117 miles from Rockingham. Lexington is located in Davidson County, northwest of Richmond County, and

Butner is located in Granville County, also north and west of Richmond County. Neither of those facilities in those counties could reasonably serve women located in and close to Richmond County, on the southern border of the state.

The applicant also provides data in Exhibit C.4 that shows the rate of unintentional medication and drug deaths in Richmond County is among the highest in the state, at between 17 and 33.4 per 100,000 population. The applicant also includes a report in Exhibit C.4 published by the Sandhills Center, a Local Management Entity-Managed Care Organization (LME/MCO) that serves residents of Richmond and other counties in south and south-central North Carolina. The report documents the mental health and substance abuse treatment health needs of area residents, and compares those needs to the availability of services. In supplemental information provided at the Agency's request, the applicant states that, according the Sandhills report, there are no providers in the Sandhills Center LME/MCO service area that offer residential chemical dependency treatment services specifically for women who suffer from addiction and co-occurring psychological diagnoses, which is the service the applicant proposes to offer.

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

- The applicant provides information that shows a lack of available adult chemical dependency treatment services in the proposed service area.
- The applicant provides information that shows the absence of adult chemical dependency treatment services for women who suffer from substance use disorders and co-occurring psychological disorders in the proposed service area.
- The applicant documents support from the local LMC/MCO for the project.

Projected Utilization

In Section Q and in supplemental information provided at the Agency's request, the applicant provides projected utilization as illustrated in the following table:

BEDS	PARTIAL FY (4/1/20 – 6/30/20)	1ST FULL FY (7/1/20 – 6/30/21)	2 ND FULL FY (7/1/21 – 6/30/22)	3 RD FULL FY (7/1/22 – 6/30/23)
# Adult Beds	14	14	14	14
Days of Care	1,176	3,577	3,833	4,088
Occupancy Rate	23.01%	70.00%	75.00%	80.00%

In Section Q, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The applicant bases its projections on the historical experience of Samaritan Colony, the men's chemical dependency treatment facility, operated by the applicant.
- The applicant bases its projections on the historical experience of A Path of Hope, a co-ed chemical dependency treatment facility located in the Central Region.

However, projected utilization is not reasonable and adequately supported for the following reasons:

- The applicant's occupancy rate calculations for the partial FY are incorrect. The applicant states that there will be 1,176 days of care for an occupancy rate of 23.01%. However, based on 14 beds and 91 days, the occupancy rate would actually be 92.3% $[(1,176 \text{ days of care} / 91 \text{ total days}) / 14 \text{ beds} = 0.923]$. A 23% occupancy rate for the interim period would have to be approximately 293 days of care, as shown below:
 - The period includes 91 days
 - There are 14 beds
 - The maximum number of days of care available is 1,274 $[91 \times 14 = 1,274]$
 - 23% of 1,274 = 293.02.

Therefore, the applicant's projection of 1,176 days of care in the first three months (the interim period) is not supported and thus is not reasonable.

- Given that the applicant projected the interim period occupancy rate would be 92.3% prior to the first full fiscal year of operation, it is not reasonable that the occupancy rate would fall to 70% in the first full fiscal year of operation and then to 75% and 80% in each of the subsequent fiscal years of operation (project years two and three, respectively).
- At the bottom of the table in Form C, below each column, there are a series of numbers which are unexplained. The applicant does not demonstrate how those numbers are used in projecting utilization, if at all.
- The number of days of care projected in the table above are inconsistent with the number of days of care the applicant provides in Section L, page 48. Therefore, the projections are unreliable.

Access

In Section C.7, pages 24 - 25¹, the applicant lists how it will provide services to low-income persons, racial and ethnic minorities, women, the elderly, handicapped and Medicare and Medicaid beneficiaries. On page 26 of the supplemental information provided at the Agency's request, the applicant states it will not provide services to any Medicaid or Medicare beneficiaries. The applicant states residential substance abuse facilities do not qualify for Medicare reimbursement, and the facility will not seek Medicaid reimbursement because that would require a 24-hour registered nurse to be on staff. The applicant states that the population to be served "*are medically indigent women who have no insurance or not enough insurance benefits to pay for treatment.*"

¹ On several pages of the application, the applicant has handwritten page numbers that are different from the pre-printed page numbers and appear on the opposite side of the page. The Project Analyst uses the pre-printed numbers in citations throughout the findings.

In Section L, page 48, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table:

Projected Payor Mix Third Full FY

PAYOR SOURCE	DAYS OF CARE	% OF TOTAL
Self-Pay	175	8%
Medicare	0	0%
Medicaid	0	0%
Insurance	102	5%
Other*	1,820	87%
Total	2,097	100%

*The applicant states "other" is Sandhills Center.

However, the applicant does not adequately demonstrate the extent to which all residents of the service area, including underserved groups, will have access to the proposed services for the following reasons:

- The total days of care shown in the table above for the third full fiscal year of operation is inconsistent with the days of care shown on Form C, Utilization, in the supplemental information provided at the Agency's request. The total days of care projected on Form C for the third full fiscal year of operation is 4,088. In fact, the applicant does not project 2,097 days of care in either of the interim, first or second fiscal years of operation as shown on Form C.
- The applicant provides its methodology to project its payor mix in Section L, page 48. However, the applicant does not provide the assumptions used to project payor mix. Therefore, the applicant's projected payor mix is not adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the following reasons:

- Projected utilization is not reasonable and is not adequately supported.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix), but does not provide assumptions to adequately support its projected payor mix.
- The applicant's projections with regard to payor mix are questionable because the projected utilization in Form C, provided in supplemental information, is inconsistent with the information provided in Section L, page 48.

- (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

The applicant does not propose to:

- Reduce a service
- Eliminate a service
- Relocate a facility or a service

Therefore, Criterion (3a) is not applicable to this review.

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

NC

The applicant proposes to develop 14 adult chemical dependency treatment beds for women at a new facility, Samaritan, in Rockingham pursuant to an adjusted need determination in the 2018 State Medical Facilities Plan (SMFP).

In Section E, page 31, the applicant describes the one alternative it considered and explains why that alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternative considered was to develop the facility in Moore County rather than Richmond County.

On page 31, the applicant states that its proposal is the most effective alternative because the applicant currently owns the land and a Richmond County commissioner requested that the applicant develop this facility.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need because the application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above. Therefore, the application is denied.

- (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.

NC

Capital and Working Capital Costs

In Section Q, page 64, the applicant projects the total capital cost of the project as shown in the table below.

ITEM	COST
Site Preparation	\$ 375,000
Construction Contract	\$2,200,000
Landscaping	\$ 20,000
Architect/Engineering Fees	\$ 210,000
Medical Equipment	\$ 2,200
Non Medical Equipment	\$ 9,883
Transportation Van	\$ 32,000
Furniture	\$ 20,875
Consultant Fees	\$ 30,000
Kitchen Equipment	\$ 26,356
Educational Materials	\$ 1,000
Total	\$2,927,314

In Section Q, page 65, the applicant provides the assumptions used to project the capital cost.

In Section F, page 33, the applicant projects that start-up costs will be \$13,000 and projects no initial operating expenses; therefore, the total working capital is projected to be \$13,000. On page 36, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

Availability of Funds

In Section F, pages 34 – 36, and in supplemental information provided at the Agency's request, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

TYPE	SAMARITAN COLONY, INCORPORATED
Sandhills LME/MCO	\$1,500,000
NC General Assembly Special Appropriation Grant	\$50,000
Joy W. Pope Foundation Grant	\$100,000
Walmart Community Grant	\$5,000
Total	\$1,655,000

The applicant shows sufficient funds to cover \$1,655,000 of \$3,000,000; therefore, the remaining capital cost needed is \$1,345,000. In supplemental information provided to the Agency, the applicant explains the various grants and fundraising efforts to be undertaken once the Certificate of Need (CON) is issued. The applicant states many grants require the applicant to have already been awarded a CON prior to reviewing a grant application.

Financial Feasibility

In supplemental information, the applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.3, the applicant projects that revenues will exceed operating expenses in the first and third operating years of the project, as shown in the table below.

	1 ST FULL FISCAL YEAR	2 ND FULL FISCAL YEAR	3 RD FULL FISCAL YEAR
Total Days of Care	3,577	3,833	4,088
Total Gross Revenue (Charges)	\$483,999	\$497,600	\$506,600
Total Net Revenue	\$483,999	\$497,600	\$506,600
Average Net Revenue per Day of Care	\$135	\$130	\$124
Total Operating Expenses (Costs)	\$475,999	*	\$505,788
Average Operating Expense per Day of Care	\$133	*	\$124
Net Income	\$8,000	*	\$812

*In Form F.2 for the Second Full Fiscal Year, the applicant provides different totals within the form for operating costs and net income.

However, the assumptions used by the applicant in preparation of the pro forma financial statements are not reasonable and adequately supported for the following reasons:

- Projected utilization is questionable. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, since projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are also questionable.
- In Form F.2, the applicant provides different totals within the form; the Total Operating Costs under “*adult CDT beds*” are inconsistent with Total Operating Costs in the “*Total Beds*” column on the same sheet.
- In Form F.2, the applicant provides different totals within the form; the Net Income amount under “*adult CDT beds*” is inconsistent with Net Income in the “*Total Beds*” column on the same sheet.

- In Form F.2, the applicant also identifies, as a revenue source, the Sandhills Center LME/MCO, as providing \$249,400 in revenue in each of the three operating years. The applicant provides documentation in supplemental information wherein it states that Sandhills Center will negotiate a services contract with the program to treat underserved populations. However, the applicant does not provide adequate support for its assumption that it will receive \$249,400 annually in revenue from Sandhills Center.
- In Form F.3, Operating Costs for the second full fiscal year of operation, the applicant provides inconsistent totals under the heading of "*Utilities*" and "*Total Operating Costs*" in the "*CDT bed*" column and the "*total Bed*" column. It is not clear which numbers are intended by the applicant.
- The applicant states in Section L, page 48, that 5% of its days of care will be paid by insurance. However, in Form C provided in supplemental information, the applicant does not include any revenue from insurance.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

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

NC

The applicant proposes to develop 14 adult chemical dependency treatment beds for women at a new facility, Samaritan, in Rockingham pursuant to an adjusted need determination in the 2018 State Medical Facilities Plan (SMFP).

On page 383, the 2018 SMFP defines the service area for chemical dependency treatment beds as the mental health planning region in which the bed is located. Thus, the service area for this facility consists of the central region, which includes counties within Health Service Areas (HSA's) II, III, IV and V. Facilities may also serve residents of counties not included in their service area.

The applicant provides a table that identifies the existing and approved chemical dependency treatment services in the Central Region with information derived from the facility License Renewal Applications, as shown below:

LME/MCO	COUNTY	FACILITY	# BEDS	UTILIZATION
SANDHILLS CENTER				
Residential	Guilford	Fellowship Hall	60	78.0%
	Guilford	Daymark*	40	72.9%
	Guilford	Mose Kiser Jr. Lodge	23	30.5%
	Richmond	Samaritan Colony**	12	88.9%
Hospital	Guilford	High Point Regional Hospital	4	151.2%
	Moore	FirstHealth Moore Regional Hospital	14	33.0%
ALLIANCE BEHAVIORAL HEALTHCARE				
Residential	Wake	Holly Hill Hospital	28	45.5%
Hospital	Cumberland	Cape Fear Valley Medical Center	4	2.0%
Cardinal Innovations Healthcare Solution				
Residential	Davidson	Path of Hope-Men	12	86.6%
	Davidson	Path of Hope-Women	6	79.8%
	Forsyth	Addiction Recovery Care Association	36	99.4%
	Forsyth	Old Vineyard Youth Services	4	195.4%
	Mecklenburg	Anuvia Prevention & Recovery Center	32	76.7%
	Mecklenburg	McLeod Addictive Disease Center	30	48.6%
Hospital	Alamance	Alamance Regional Medical Center	--	--
	Mecklenburg	Carolinas Medical Center	11	110.7%
	Rowan	Novant Health Rowan Medical Center***	--	--

*The applicant states Daymark only accepts Guilford County residents

**Samaritan Colony is the men's facility operated by the applicant

***The applicant states this facility has no operational beds

In Section G, page 39, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved chemical dependency treatment services for women in the Central Region. The applicant states, on page 39, that chemical dependency treatment beds are not readily available in the Sandhills Center catchment area due to a lack of programs, restrictions on admissions, or because the beds for indigent persons are utilized.

However, the applicant does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because projected utilization is not reasonable or adequately supported. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, since the applicant fails to demonstrate that its utilization projections are reasonable and adequately supported, the applicant fails to demonstrate that its proposal would not result in the unnecessary duplication of chemical dependency treatment services in the Central Region.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above.

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

C

In Section Q and supplemental information provided at the Agency's request, the applicant provides projected staffing for the proposed services as illustrated in the following table.

POSITION	PROJECTED		
	1 ST FULL FISCAL YEAR	2 ND FULL FISCAL YEAR	3 RD FULL FISCAL YEAR
Temporary/As Needed Staff	1	1	1
Peer Support Specialists	2	2	2
Licensed Clinical Addiction Specialist	1	1	1
Certified Counselors	2	2	2
Dietary	1	1	1
Administration	1	1	1
Director	1	1	1
TOTAL	9	9	9

Source: Form H in Section Q of the application and supplemental information

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3.

In Section H, and in supplemental information provided at the Agency's request, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs. In Section H, page 41, the applicant states it does not have a medical director in place yet. The applicant states it is not required by law to have a medical director, but references the Samaritan Colony men's facility medical director as evidence of intent to hire a medical director in the future.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

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

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

C

In Section I, pages 42 – 43, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibits I.1 and I.2. The applicant describes the contacts made with the Sandhills Center LME/MCO for additional ancillary and support services. On page 42, the applicant states it will work with the Richmond County Health Department, community mental health centers, and the vocational rehabilitation centers in both Richmond County and Moore County.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

NA

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

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable

and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

C

In Section K, page 45, the applicant states that the project involves constructing 9,422 square feet of new space. Line drawings are provided in Exhibit K.

On page 45, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal. The applicant states it owns the land on which the facility will be built and the land is already properly zoned, thus saving purchase and potential zoning costs.

In supplemental information, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services. The applicant states that Sandhills Center LMC/MCO will contract with Samaritan to provide funding for the chemical dependency treatment services. In addition, the applicant states it will seek additional funds from private organizations and hold fundraising events to provide financial support the proposed services.

On page 45, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit B.5.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

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

NC

In Section L, page 47, the applicant states it does not currently provide services. However, the applicant is The Samaritan Colony, Incorporated, which operates The Samaritan Men's Colony in Rockingham. The applicant did not provide a comparison of its payor mix to the percentage of the population in the service area which is underserved as required by this criterion.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the applicant did not adequately document the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is not conforming to this criterion.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 48, the applicant states

it is under no obligation under any federal regulations to provide uncompensated care, community service or access by minorities and handicapped.

In Section L, page 48, the applicant states that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

NC

In Section L, page 49, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

Projected Payor Mix Third Full FY

PAYOR SOURCE	DAYS OF CARE	% OF TOTAL
Self-Pay	175	8%
Medicare	0	0%
Medicaid	0	0%
Insurance	102	5%
Other*	1,820	87%
Total	2,097	100%

*The applicant states "other" is Sandhills Center.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 8% of total services will be provided to self-pay patients and none to Medicare or Medicaid patients.

On page 49, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. However, the applicant does not provide adequate support for its assumptions. In addition, the applicant's projected payor mix is inconsistent with the payor mix the Project Analyst calculates from supplemental information in Form C. Furthermore, the total days of care for the third full fiscal year provided in the table above do not match the days of care projected in Form C for that period. The projected payor mix is not reasonable and adequately supported for the following reasons:

- The total days of care shown in the table above for the third full fiscal year of operation is inconsistent with the days of care shown on Form C, Utilization, in the supplemental information provided at the Agency's request. The total days of care projected on Form C for the third full fiscal year of operation is 4,088. In fact, the applicant does not project 2,097 days of care in either of the interim, first or second fiscal years of operation as shown on Form C.
- The applicant's payor mix is inconsistent. The applicant states in the table above that 5% of services will be reimbursed by insurance. However, in supplemental information Form C, the applicant shows no revenue from insurance.
- The applicant's payor mix percentages for the self-pay and "other" payor categories differ between the table above and supplemental information Form C.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above.

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

C

In Section L, page 50, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

C

In Section M, page 50, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.2.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

NC

The applicant proposes to develop 14 adult chemical dependency treatment beds for women at a new facility, Samaritan, in Rockingham pursuant to an adjusted need determination in the 2018 State Medical Facilities Plan (SMFP).

On page 383, the 2018 SMFP defines the service area for chemical dependency treatment beds as the mental health planning region in which the bed is located. Thus, the service area for this facility consists of the central region, which includes counties within Health Service Areas (HSA's) II, III, IV and V. Facilities may also serve residents of counties not included in their service area.

The applicant provides a table that identifies the existing and approved chemical dependency treatment services in the Central Region with information derived from the facility License Renewal Applications, as shown below:

LME/MCO	COUNTY	FACILITY	# BEDS	UTILIZATION
SANDHILLS CENTER				
Residential	Guilford	Fellowship Hall	60	78.0%
	Guilford	Daymark*	40	72.9%
	Guilford	Mose Kiser Jr. Lodge	23	30.5%
	Richmond	Samaritan Colony**	12	88.9%
Hospital	Guilford	High Point Regional Hospital	4	151.2%
	Moore	FirstHealth Moore Regional Hospital	14	33.0%
ALLIANCE BEHAVIORAL HEALTHCARE				
Residential	Wake	Holly Hill Hospital	28	45.5%
Hospital	Cumberland	Cape Fear Valley Medical Center	4	2.0%
Cardinal Innovations Healthcare Solution				
Residential	Davidson	Path of Hope-Men	12	86.6%
	Davidson	Path of Hope-Women	6	79.8%
	Forsyth	Addiction Recovery Care Association	36	99.4%
	Forsyth	Old Vineyard Youth Services	4	195.4%
	Mecklenburg	Anuvia Prevention & Recovery Center	32	76.7%
	Mecklenburg	McLeod Addictive Disease Center	30	48.6%
Hospital	Alamance	Alamance Regional Medical Center	--	--
	Mecklenburg	Carolinas Medical Center	11	110.7%
	Rowan	Novant Health Rowan Medical Center***	--	--

*The applicant states Daymark only accepts Guilford County residents

**Samaritan Colony is the men's facility

***The applicant states this facility has no operational beds

In Section N, page 51, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 51, the applicant states there is no competition in the service area. The applicant states there is no facility in the Central Region that provides chemical dependency treatment services specifically for women. However, there are facilities that provide chemical dependency treatment services to both men and women without regard to gender.

The applicant does not adequately describe the expected effects of the proposed services on competition in the service area and does not adequately demonstrate the cost effectiveness of the proposal (See Sections F and Q of the application and referenced exhibits).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above.

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

C

In Section C, page 26, the applicant identifies the men's chemical dependency treatment facility, Samaritan Colony, located in North Carolina that is owned, operated or managed by the applicant or a related entity. The applicant identifies a total of one of this type of facility located in North Carolina.

In Section O, page 52, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred in the Samaritan Colony men's facility. According to the files in the Mental Health Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in the facility. After reviewing and considering information provided by the applicant and by the Mental Health Licensure Section and considering the quality of care provided at all The Samaritan Colony, Incorporated facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NC

The application is not conforming to all applicable Criteria and Standards for Substance Abuse/Chemical Dependency Treatment Beds promulgated in 10A NCAC 14C .2500. The specific criteria are discussed below.

10A NCAC 14C .2503 PERFORMANCE STANDARDS

- (a) An applicant proposing additional intensive treatment beds shall not be approved unless the overall occupancy, over the nine months immediately preceding the submittal of the application, of the total number of intensive treatment beds within the facility in which the beds are to be located has been:*

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

-NA- The applicant does not propose to add additional intensive treatment beds to an existing facility.

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

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

-NC- The applicant projects that the overall occupancy of the 14 proposed chemical dependency treatment beds to be operated in the facility will be in excess of 75%. However, the applicant's projections are not reasonable or adequately supported. See Criterion (3) for discussion, which is incorporated herein by reference.

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

-C- The applicant provides the assumptions and methodology in Section C of the application and in supplemental information provided at the Agency's request. The applicant provides the average length of stay and the anticipated recidivism rate in Section C, page 26.