

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: December 21, 2022

Findings Date: January 3, 2023

Project Analyst: Tanya M. Saporito

Co-Signer: Mike McKillip

Project ID #: Q-12236-22

Facility: Eastern North Carolina Behavioral Health Hospital

FID #: 220520

County: Wake

Applicant(s): Pitt County Memorial Hospital, Incorporated  
Acadia-Vidant Joint Venture, LLC

Project: Acquire and relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds for a total of no more than 144 inpatient psychiatric beds at a new, freestanding inpatient facility

## REVIEW CRITERIA

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

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

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Pitt County Memorial Hospital, Incorporated (PCMH) and Acadia-Vidant Joint Venture, LLC, hereinafter collectively referred to as the “applicant”, propose to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

In Section B, pages 25-27, the applicant describes the relationship between both applicants and their parent companies, as summarized below:

- University Health Systems of Eastern Carolina, Inc., d/b/a Vidant Health (VH) is a private, not-for-profit parent company to the Vidant Health System. PCMH is a subsidiary of VH that operates Vidant Medical Center (VMC) and Vidant Beaufort Hospital, a campus of VMC.
- Acadia Healthcare Company, Inc. (ACHC) is a publicly traded company established in 2005 to operate a network of behavioral health and addiction treatment facilities throughout the United States, including North Carolina. Acadia Eastern North Carolina JV Holdings, LLC (AENC) is a subsidiary of ACHC.
- Acadia-Vidant Joint Venture, LLC d/b/a Eastern North Carolina Behavioral Health Hospital (ENCBHH) is a joint venture between VH and AENC, organized for the purpose of owning and operating the inpatient psychiatric facility proposed in this application.

### **Need Determination**

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2022 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

### **Policies**

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

**Policy MH-1: Linkages between Treatment Settings**, on pages 26-27 of the 2022 SMFP states:

*“An applicant for a certificate of need for psychiatric, substance use disorder or intermediate care facilities for individuals with intellectual disabilities (ICF/IID) beds shall document that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.”*

Exhibit 1 contains a copy of a letter from Trillium, the local management entity-managed care organization (LME/MCO) for Pitt County, demonstrating support for the proposal. Therefore, the application is consistent with Policy MH-1.

**Policy PSY-1: Transfer of Beds from State Psychiatric Hospitals to Community Facilities**, on page 27 of the 2022 SMFP states:

*“Beds in the state psychiatric hospitals used to serve short-term psychiatric patients may be relocated to community facilities through the certificate of need process. However, before beds are transferred out of the state psychiatric hospitals,*

*services and programs shall be available in the community. State psychiatric hospital beds that are relocated to community facilities shall be closed within 90 days following the date the transferred beds become operational in the community.*

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

The applicant has submitted a CON application proposing to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

VH was awarded 10 child/adolescent psychiatric inpatient beds in 2019 when Broughton Hospital opened and the Division of State Operated Healthcare Facilities identified a group of facilities that could apply for a CON to relocate beds that remained in state-operated facilities pursuant to Policy PSY-1. VH currently operates five licensed hospital-based inpatient adult psychiatric facilities in North Carolina with a combined total of 147 licensed beds. By adding these 10 child/adolescent beds, the applicants will bring the total licensed bed complement to 157. The applicant proposes to develop an inpatient psychiatric facility, thereby offering inpatient psychiatric services to adults and children/adolescents in a facility dedicated to inpatient psychiatric care rather than in a hospital. The proposed dedicated inpatient psychiatric facility will be licensed for 144 inpatient psychiatric beds: 120 adult and 24 child/adolescent beds. The beds will be relocated from the hospitals in which they are currently located, and 10 of the child/adolescent beds will be those beds awarded to VH in 2019.

In Section B, page 31, the applicant states:

*“The proposed new inpatient psychiatric facility will be located in Pitt County. VMC currently owns and operates a 52 bed inpatient psychiatric facility in Pitt County. The almost 165,000 inpatient psychiatric days of care that occurred at VMC just over the last decade proves psychiatric services and programs are available in the community.”*

In Exhibit 2 the applicant provides documentation of the 10 child/adolescent psychiatric inpatient beds awarded in 2019 and provides a copy of the MOA between Trillium LMC/MCO, NCDHHS and VMC. The application is consistent with Policy PSY-1.

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

*“Any person proposing a capital expenditure greater than \$4 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.*

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

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

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

*“...design the proposed project to be in compliance with all applicable federal, state, and local building codes, and requirements for energy efficiency and consumption. ... Acadia/VH will closely monitor its utility usage and costs, including electric and water utilization, in order to maintain efficient and environmentally responsible energy operations.*

*All existing Acadia/VH facilities are committed to energy efficiency and sustainability, including electric and water conservation, that balances the need for health care services and environmental sustainability in the communities served. In this regard, Acadia/VH has several guiding principals:*

- 1. Implement environmental sustainability to improve and reduce the environmental impact.*
- 2. Integrate sustainable operational and facility best practices into existing and new facilities.*
- 3. Encourage partners to engage in environmentally responsible practices.*
- 4. Promote environmental sustainability at work, home and community.*

5. *Deliver improved performance to provide a long-term return on investment that supports corporate mission and values.”*

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

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

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

- The applicant adequately demonstrates that the proposal is consistent with Policy MH-1, by providing documentation that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.
- The applicant adequately demonstrates that the proposal is consistent with Policy PSY-1 by documenting the availability of 10 child/adolescent psychiatric inpatient beds awarded in 2019 and by including a written memorandum of agreement between the local management entity-managed care organization serving the county where the beds are to be located, the secretary of the North Carolina Department of Health and Human Services.
- The applicant adequately demonstrates that the application is consistent with Policy GEN-4 by providing a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

(2) Repealed effective July 1, 1987.

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

C

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

## **Patient Origin**

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2022 SMFP does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility would be located in Greenville in Pitt County and will be served by the Trillium Health Resources LME/MCO. Thus, the service area for this facility consists of counties served by Trillium Health Resources. Trillium serves people in 28 counties in Eastern North Carolina, including Pitt County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 32, the applicant states that ENCBHH is not an existing facility. Therefore, there is no historical patient origin to report. In Section C, pages 42-45, the applicant provides a series of tables to illustrate historical patient origin of three of the hospitals owned by VHC in which psychiatric inpatient residential beds are located. On pages 46-47 the applicant projects patient origin for ENCBHH and provides the assumptions and methodology on page 46. The applicant states projected patient origin is based on “... *FY18 actual patient origin for all VH facilities combined applied to the projected number of patients presented in Section Q of this application.*”

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

- The applicant relied on historical patient origin information from its existing hospitals in which inpatient psychiatric beds are located.
- The applicant incorporated projected patient utilization as shown in Section Q.

## **Analysis of Need**

In Section C, pages 48-50, the applicant summarizes the history and background that led to this application submission. The applicant states:

*“VH currently has five licensed hospital based inpatient psychiatric facilities with a combined total of 147 licensed beds. These facilities are VMC (52 beds), VROA (28), VDUP (25), VBEA (22), and VNOR (20). In addition, as a result of the transfer of 134 behavioral health beds from Broughton Hospital to community hospitals in March of 2019, VMC was awarded 10 child and adolescent psychiatric beds pending CON submission and approval under Policy PSY-1. Since then, VMC has been researching options to operate these 10 child and adolescent beds on the VMC main campus to bring the total number of licensed beds to 157.*

*For years, VH has been struggling in its rural community hospitals to create a sustainable, viable model to operate hospital based inpatient psychiatric facilities.*

...

*Together, Acadia/VH is proposing to construct a 144 bed freestanding inpatient psychiatric facility in Greenville, NC (Pitt County). The proposed project will encompass transferring and relocating 127 existing VH psychiatric beds, adding 10 new psychiatric beds under Policy PSY-1, and adding 7 incrementally new psychiatric beds.”*

In Section C, pages 50-56, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as follows:

- Increasing prevalence of adult behavioral health issues in the nation and in North Carolina, defined as Any Mental Illness (AMI) and Serious Mental Illness (SMI). The applicant states the National Institute of Mental Health reports the majority of adults diagnosed with these illnesses do not receive treatment or counseling (page 50).
- Increasing prevalence of adult and adolescent behavioral health issues in Eastern North Carolina, the area served by Trillium Health Resources LME (pages 50-51).
- Impact of the COVID-19 pandemic on both child and adult psychiatric illness and the increasing demand for behavioral health treatment in North Carolina (pages 52-53).
- Increasing outmigration of patients in need of inpatient psychiatric services, and limited access to freestanding inpatient psychiatric treatment facilities (pages 53-54).

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

- The information relative to the need for inpatient psychiatric care throughout North Carolina is based upon published statistical data on mental health in North Carolina.
- The applicant provides published and reliable data on the increasing demand for inpatient psychiatric services for both adults and children in the state and the service area.
- The applicant cites data that Eastern North Carolina residents typically experience some sort of mental health distress requiring counseling and/or treatment at a higher rate than the state as a whole.
- VH’s existing psychiatric inpatient beds in area hospitals have been operating at 76.5% to 89.1% occupancy since 2018, even with the temporary negative impact of the COVID-19 pandemic on persons seeking hospital admissions in general.

### Projected Utilization

In Section Q, Forms C.1a and C.1b, the applicant provides historical and projected utilization for the hospitals operated by VMC. Those forms also provide projected utilization for ENCBHH adult inpatient psychiatric beds for the first three full fiscal years, FY 2025-FY 2028. The following table, from Form C.1b on page 131, illustrates projected utilization for ENCBHH:

ENCBHH	INTERIM FY 10/1/2024- 9/30/2025	1 <sup>ST</sup> FY 10/1/2025- 9/30/2026	2 <sup>ND</sup> FY 10/1/2026- 9/30/2027	3 <sup>RD</sup> FY 10/1/2027- 9/30/2028
<b>Adult Psychiatric Beds</b>				
# Beds	120	120	120	120
# Discharges	1,716	4,049	4,252	4,379
# Patient Days	15,141	33,609	34,014	34,159
ALOS*	8.6	8.3	8.0	7.8
Occupancy Rate	34.6%	76.7%	77.7%	78.0%
<b>Adolescent Psychiatric Beds</b>				
# Beds	24	24	24	24
# Discharges	200	450	600	650
# Patient Days	2,140	4,815	6,420	6,955
ALOS*	10.7	10.7	10.7	10.7
Occupancy Rate	24.4%	55.0%	73.3%	79.4%
<b>Total Psychiatric Services</b>				
# Beds	144	144	144	144
# Discharges	1,961	4,499	4,852	5,029
# Patient Days	17,281	38,424	40,434	41,114
ALOS*	8.8	8.5	8.3	8.2
Occupancy Rate	32.9%	73.1%	76.9%	78.2%

\*Average Length of Stay

In Section Q, pages 120-138, the applicant provides the assumptions and methodology used to project utilization, as summarized below:

*Adult Inpatient Psychiatric Beds*

- The applicant annualized FY 2022 data based on six months of actual utilization data, stating that the first six months of FY 2022, volumes were greatly impacted by COVID. The applicant states annualized numbers may be significantly under estimated due to the continuing impact of COVID during the entire FY of 2022.
- The applicant bases projections on actual utilization for each of the hospitals it operates that have psychiatric inpatient beds.
- The applicant states projected FY 2025 data represents a partial year when the new facility is beginning operation. The applicant assumes existing discharges from the relocated beds at other VH facilities will transfer to ENCBHH.
- The applicant calculates ALOS by dividing the total number of days by the total number of discharges at the hospitals in which it operates adult inpatient psychiatric beds.
- The applicant states that, during the COVID-19 pandemic, the ALOS at all VH behavioral health facilities increased as a direct result of the impact of the pandemic on behavioral health patients and the resultant increase in crisis severity than existed before COVID-19.
- The applicant projects that ALOS will gradually decrease to pre-COVID levels for all of its facilities and inpatient psychiatric beds.

*Child/Adolescent Inpatient Psychiatric Beds*



- The applicant assumes seven existing beds currently licensed as adult inpatient psychiatric beds will be relocated to ENCBHH and converted to child/adolescent inpatient psychiatric beds. Additionally, 10 beds will be converted to child/adolescent inpatient psychiatric beds pursuant to Policy PSY-1, and seven beds will be incrementally added.
- The applicant bases projected utilization on historical utilization.
- The applicant states according to FY 2021 actual data, approximately 600 child/adolescent patients left the region for inpatient psychiatric care due to unavailability of beds, and 400 patients were not able to receive care for the same reason. The applicant assumes that 65% of those approximately 1,000 patients will be able to receive the needed care at ENCBHH by the third project year.
- The applicant calculates the average daily census (ADC) by dividing the total number of days by 365 days per year.
- The applicant assumes an average length of stay (ALOS) of 10.7 days based on the ALOS data derived from Truven data reports for statewide child/adolescent inpatient psychiatric bed use and the applicant's historical experience.

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

- The applicant has experience developing and acquiring inpatient behavioral health facilities.
- The applicant has experience in operating inpatient adult and child/adolescent inpatient psychiatric beds.
- The applicant bases the projected ALOS on its experience operating other inpatient behavioral health facilities in the nation as well as reliable data from Truven.
- The applicant uses population growth data and data regarding mental health disorders and treatment utilization for its service area and the overall Trillium Health service area as a basis for its projections.
- The applicant accounts for the impact of the COVID-19 pandemic on its existing facilities and inpatient psychiatric beds, and reasonably projects a gradual return to pre-COVID utilization and ALOS.

### **Access to Medically Underserved Groups**

In Section C, page 62, the applicant states:

*“As a not-for-profit corporation, VH, and all of its subsidiaries, have an obligation to provide medically necessary treatment and quality health care services to ALL persons seeking care. ... Upon project completion, Acadia/VH will ... ensure all patients, especially the populations identified above, requiring medically necessary behavioral health care services can receive it.”*

On page 62, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

<b>MEDICALLY UNDERSERVED GROUPS</b>	<b>PERCENTAGE OF TOTAL PATIENTS IN THE 3<sup>RD</sup> FULL FISCAL YEAR</b>
Low income persons	NA
Racial and ethnic minorities	46.5%
Women	49.1%
Persons with disabilities	NA
Persons 65 and older	5.7%
Medicare beneficiaries	25.0%
Medicaid recipients	55.7%

The applicant states data represents actual FY 2021 percentages for VH inpatient psychiatric patients. The applicant does not collect patient data regarding handicapped status or income.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services because it is based on the applicant's experience in existing licensed hospitals with both child/adolescent and adult inpatient psychiatric beds that it operates.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

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

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

C

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

In Section D, pages 68-70, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 68, the applicant states that, following the relocation of beds at each of its facilities involved in this project, all patient needs will continue to be adequately met at each of its facilities. On page 69, the applicant states:

*“The proposed reduction and elimination of existing inpatient psychiatric beds at each of the five existing VH hospitals will ultimately have a positive effect on the [underserved populations]. For years, VH has been struggling in its rural community hospitals to create a sustainable, viable model to operate hospital based inpatient psychiatric facilities. In fact, VH has had to suspend operations at two of its five facilities recently (VBEA in August of 2019 and VDUP in August of 2020). The factors contributing to these struggles are:*

- *Inability to recruit a stable supply of psychiatrists to rural markets,*
- *Over reliance of expensive and inconsistent locums coverage,*
- *Inability to utilize all beds in order not to exceed acceptable provider to patient ratios,*
- *Financial instability,*
- *Inability to invest in needed programs, services, and facilities, and*
- *Aging physical plants.*

...

*VH [believes] the best solution was to seek a national partner with the experience in operating quality behavioral health services (Acadia) and consolidate all VH hospital based inpatient psychiatric beds into one efficient, centrally located, operationally & financially sustainable facility. The project as proposed, which requires the reduction and elimination of psychiatric beds at some facilities in order to transfer ownership and relocate to a new consolidated, centralized, freestanding facility, allows Acadia/VH to address all of the historical factors impacting the health system’s inability to provide needed behavioral health care services to all residents of ENC.”*

The information is reasonable and adequately supported because the applicant accounts for each facility’s history with serving inpatient psychiatric patients, and explains how the patients will continue to be served following the proposed bed relocation.

In Section Q, pages 141-148, in Forms D.1 for each facility, the applicant projects utilization following the bed relocation and provides assumptions used to project utilization, summarized below:

- The applicant accounts for COVID-19 utilization levels, and states VMC was a “sanctuary unit” for COVID-positive patients in need of psychiatric care. As a result, ten beds were isolated and reserved for these patients. A resultant decrease in utilization occurred which the applicant states will rectify when those beds are able to be fully

utilized again. For project years, the applicant assumes the relocation of beds and patients to ENCBHH.

- Vidant North experienced a loss of its psychiatrists during FY 2020 and saw a resultant utilization reduction. That facility has since partnered with Eastern Carolina University Psychiatry to cover the hospital, allowing that facility to regain utilization lost during that time. The applicant projects a gradual ramp-up in utilization of inpatient psychiatric beds and then a shift when the beds are relocated to ENCBHH. Thereafter, the applicant projects a gradual increase in inpatient psychiatric services consistent with the projected population increase in Eastern North Carolina for the project years.
- For all of its facilities in which inpatient psychiatric beds are located, the applicant assumes that the increase in inpatient psychiatric admissions during the COVID-19 pandemic was a direct result of the pandemic, and projects a gradual reduction to pre-COVID levels for all existing and proposed facilities through the interim and project years.

Projected utilization is reasonable and adequately supported based on the following:

- The applicant accounts for utilization of inpatient psychiatric beds at each of the facilities from which beds will be relocated, including reasons for lower utilization.
- The applicant provides reasonable assumptions regarding the projected ALOS for each facility that accounts for the increase in behavioral health treatment needs during the COVID-19 pandemic, a gradual return to pre-COVID levels, and the partnership with ECU Psychiatry that will enable the applicant to continue to provide needed inpatient psychiatric care at its existing facilities.
- The applicant adequately demonstrates that the needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion for all the reasons described above.
- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.

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

CA

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

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

- Maintain the status quo – The applicant states this was not an effective alternative because it fails to rectify the existing model of providing inpatient psychiatric care in ENC, given the existing difficulties experienced at each of VH’s hospitals in which inpatient psychiatric beds are operated.
- Project as proposed but without a partner – The applicant states this is not an effective alternative because VH recognizes that partnering with a provider that has expertise in behavioral health would benefit the patients in ENC who are in need of inpatient psychiatric services.

On page 73, the applicant states that its proposal is the most effective alternative because it believes that Acadia and VH can *“close the mental health care gaps and address the behavioral health care needs of the region more effectively than trying to do it alone.”*

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Pitt County Memorial Hospital, Incorporated and Acadia-Vidant Joint Venture, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall relocate no more than 10 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1, acquire and relocate no more than 127 existing licensed inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new, freestanding inpatient psychiatric facility, Eastern North Carolina Behavioral Health Hospital for a total of no more than 144 inpatient psychiatric beds upon project completion.**
- 3. Upon completion of the project, Eastern North Carolina Behavioral Health Hospital shall be licensed for no more than 144 inpatient psychiatric beds.**

- 4. The certificate holder shall accept patients requiring involuntary admission for inpatient psychiatric services at Eastern North Carolina Behavioral Health Hospital.**
  - 5. Progress Reports:**
    - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
    - b. The certificate holder shall complete all sections of the Progress Report form.**
    - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
    - d. The first progress report shall be due on June 1, 2023.**
  - 6. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
  - 7. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. Payor mix for the services authorized in this certificate of need.**
    - b. Utilization of the services authorized in this certificate of need.**
    - c. Revenues and operating costs for the services authorized in this certificate of need.**
    - d. Average gross revenue per unit of service.**
    - e. Average net revenue per unit of service.**
    - f. Average operating cost per unit of service.**
  - 8. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

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The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina

Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

### **Capital and Working Capital Costs**

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

<b>Proposed Capital Cost</b>			
	<b>ACADIA-VIDANT JOINT VENTURE, LLC</b>	<b>PCMH, INC.</b>	<b>TOTAL</b>
Land		\$1,375,000	\$1,375,000
Site Costs	\$6,160,000		\$6,160,000
Construction Costs	\$46,289,596		\$46,289,596
Miscellaneous Costs	\$10,116,443		\$10,116,443
<b>Total</b>	<b>\$63,941,039</b>		<b>\$63,941,039</b>

In Sections F and Q, the applicant provides the assumptions used to project the capital cost. In Section F, page 77, the applicant states PCMH, Inc. will donate land currently owned and not subject to any liens, valued at \$1,375,000. Therefore, the actual capital cost of the project in terms of funds needed for project completion are overstated by the applicant in that amount.

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

- Costs are based on the experience of Acadia with similar past projects.
- Significant cost escalation was added by the applicant to account for current inflation and supply chain uncertainty.
- Land value was determined through a reliable third-party appraisal.

In Section F, page 77, the applicant projects that start-up costs will be \$2,471,285. On page 78, the applicant states there will be no initial operating expenses. On page 78 and in Form F.1b in Section Q, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the information regarding projected start-up costs and initial operating expenses provided on pages 77-78 and in Section Q.

### **Availability of Funds**

In Section F.2, page 75, the applicant states that the capital cost will be funded as shown in the table below:

**Sources of Capital Cost Financing**

TYPE	ACADIA-VIDANT JOINT VENTURE, LLC	PCMh, INC.	TOTAL
Loans		\$0	\$0
Cash and Cash Equivalents, Accumulated reserves or OE*	\$62,566,039	\$0	\$62,566,039
Bonds		\$0	\$0
Other (Value of land currently owned by applicant)**		\$1,375,000	\$1,375,000
<b>Total Financing</b>	<b>\$62,566,039</b>	<b>\$0</b>	<b>\$62,566,039</b>

\*OE = Owner's Equity

\*\*This amount is not included in the projected capital cost of the project since the land is currently owned and not subject to liens. The applicant will donate the existing land to the project.

In Section F, pages 78-79, the applicant states that the working capital needs of the project will be funded as shown in the table below:

**Sources of Working Capital Financing**

TYPE	ACADIA-VIDANT JOINT VENTURE, LLC	PCMh, INC.	TOTAL
Loans		\$0	\$0
Cash and Cash Equivalents, Accumulated reserves or OE*	\$1,853,464	\$617,821	\$2,471,285
Bonds		\$0	\$0
Other		\$0	\$0
<b>Total Financing</b>	<b>\$1,853,464</b>	<b>\$617,821</b>	<b>\$2,471,285</b>

\*OE = Owner's Equity

In Exhibit 18 and Exhibit 13, the applicant provides financial statements from Acadia and VMC respectively, documenting the availability of sufficient funds to cover the proposed capital and working capital needs of the project. In Exhibit 12, the applicant provides a letter dated July 11, 2022, from the Chief Financial Officer of Vidant Health that documents VH's intention to provide the funds necessary to cover all of its portion of the capital and working capital costs of the proposed project. In Exhibit 12, the applicant provides a letter dated July 8, 2022, from the Chief Financial Officer of Acadia Healthcare Company that documents its intention to provide the funds necessary to cover all of its portion of the capital and working capital costs of the proposed project.

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

- Exhibit 18 provides documentation of sufficient funding through audited financial statements.
- Exhibit 12 provides commitment letters from each applicant demonstrating the intention to commit the funds available and necessary for the project as proposed.

**Financial Feasibility**



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

	<b>1<sup>ST</sup> FULL FISCAL YEAR (10/1/2025- 9/30/2026)</b>	<b>2<sup>ND</sup> FULL FISCAL YEAR (10/1/2026- 9/30/2027)</b>	<b>3<sup>RD</sup> FULL FISCAL YEAR (10/1/2027- 9/30/2028)</b>
Total Patient Days	38,424	40,434	41,114
Total Gross Revenues (Charges)	\$99,894,696	\$107,748,071	\$112,297,919
Total Net Revenue	\$29,568,830	\$31,893,429	\$33,240,184
Average Net Revenue per Day of Care	\$770	\$789	\$808
Total Operating Expenses (Costs)	\$22,779,332	\$24,264,631	\$25,135,749
Average Operating Expense per Day of Care	\$593	\$600	\$611
Net Income	\$6,789,498	\$7,628,798	\$8,104,435

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

- The applicant accounts for projected operating expenses, such as salaries, consistent with projections elsewhere in the application.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

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

C

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2022 SMFP does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility will be located in Pitt County which is served by the Trillium Health Services LME/MCO. Thus, the service area for this facility consists of counties served by Alliance Health. Facilities may also serve residents of counties not included in their service area.

Pages 284-286 of the 2022 SMFP provide tables that illustrate existing and approved child/adolescent and adult inpatient psychiatric beds located in the Trillium Health Service LME service area. In Section G, page 85, the applicant provides a list of the existing providers of adult and child/adolescent inpatient psychiatric services, shown below:

- Brynn Marr Behavioral Health System (adult and child/adolescent beds)
- CarolinaEast Medical Center
- DLP Wilson Medical Center
- UNC Nash Healthcare
- UNC Wayne Healthcare (temporarily closed)
- Vidant Beaufort Hospital (temporarily closed)
- Vidant Duplin Hospital (temporarily closed)
- Vidant Medical Center
- Vidant North Hospital
- Vidant Roanoke Chowan Hospital

In Section G, pages 86-87, the applicant explains why they believe its proposal would not result in the unnecessary duplication of existing or approved services in the proposed service area. The applicant states:

*“1) Related to adult inpatient psychiatric beds, Acadia/VH is not proposing to add additional beds to the service area. Acadia/VH is proposing to transfer ownership and relocate 120 **existing** [emphasis in original] adult inpatient psychiatric beds to a new, consolidated freestanding facility. ... In fact, Acadia/VH is proposing to*

*reallocate 7 adult inpatient psychiatric beds to serve child and adolescent patients, thus actually reducing the number of adult beds in the service area.*

*2) Related to child and adolescent inpatient psychiatric beds, Acadia/VH is proposing to add 24 new beds to the service area wither through reallocation of adult beds (7), Policy PSY-1 (10), or incrementally new beds (7). ... Currently there is only one other provider of child and adolescent inpatient psychiatric services in ENC (Brynn Marr). ... this facility is operating at 81% capacity today. Capacity constraints at this facility will not allow Brynn Marr to meet the needs for this service area in this region.*

*3) Acadia/VH believe the project as proposed will have little to no negative impact to the existing inpatient psychiatric facilities in the proposed service area.”*

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

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

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

C

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

In Section Q, Form H, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services. The table includes 42 proposed positions and 200 full-time equivalent (FTE) positions, and is available on pages 162-163 of the application.

The assumptions and methodology used to project staffing are provided in Section Q, on page 164. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, pages 88-89, the applicant describes the methods to be used to recruit or fill new positions and its existing (at its existing facilities) training and continuing education programs.

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

- The applicant projects the initial and future FTE staffing positions necessary to accommodate the proposed healthcare services at ENCBHH.
- The costs and yearly increases are accounted for in the budgeted Operating Costs.
- The methods used to recruit or fill new positions and the existing training and continuing education programs are provided in Section H and are based on the applicant's experience with similar facilities and adult and child/adolescent inpatient psychiatric services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

### **Ancillary and Support Services**

In Section I, page 91, the applicant identifies the necessary ancillary and support services for the proposed services. On page 91, the applicant briefly explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit 14. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant describes how ancillary and support services will be provided directly by the staff at ENCBHH.
- The applicant provides information regarding the recruitment, retention and training of employees providing the support services.

### **Coordination**

In Section I, page 92 the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit 14. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system because the applicant provides documentation that it has existing relationships with other local health care and social service providers.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

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

NA

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

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

C

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

In Section K, page 95, the applicant states that the project involves 98,665 square feet of new construction. Line drawings are provided in Exhibit 9.

In Section K, pages 95-96, the applicant describes the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. Supporting documentation is provided in Exhibit 9. The site appears to be suitable for the proposed project based on the applicant's representations and supporting documentation.

In Section K, pages 95-96, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states the construction costs are based on a detailed review of the facility needs and the knowledge, experience and expertise of the architects and engineers.

- Acadia HC has experience in developing behavioral health facilities and other health projects and the applicant states that ENCBHH will be designed to incorporate the most cost-effective and energy-efficient design and means of construction.

In Section K, pages 95-96, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The proposed project will develop a new freestanding facility rather than attempt renovation of significant amounts of space in the various existing hospitals in which the existing inpatient psychiatric beds are located.
- The proposed facility will be a hospital specifically designed for inpatient psychiatric services, allowing for increased efficiency and lower operating costs.
- The applicant states that the proposed project will offer area residents in need of inpatient adult and child/adolescent psychiatric services greater local access to those services.

In Section K, pages 96-97, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

NA

The applicant does not own, operate or manage an existing inpatient psychiatric facility in the service area. Therefore, Criterion 13(a) is not applicable to this review. For reference, the applicant provides historical payor mix information for the existing hospitals in which it has inpatient psychiatric beds on pages 100-104.

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

C

In Section L, page 106, 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  
Eastern North Carolina Behavioral Health Hospital**

PAYOR CATEGORY	% OF TOTAL PATIENTS SERVED
Self-Pay	3.1%
Charity Care	NA
Medicare*	25.0%
Medicaid*	55.7%
Insurance*	14.3%
TRICARE	1.1%
Other	0.8%
<b>Total</b>	<b>100.0%</b>

\*including any managed care plans.

The applicant states on page 106 the applicant states it does not have a payor classification for Charity Care.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 3.1% of total services will be provided to self-pay patients, 25.0% to Medicare patients, and 55.7% Medicaid patients.

In Section L, pages 106-107, the applicant provides the assumptions and methodology used to project payor mix during the first three (3) full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following reasons:



- Projected ENCBHH payor mix is based on historical payor mix for VHs existing hospitals that offer inpatient psychiatric services.
- The applicant will offer two programs that offer reduced cost care to its patients, which the applicant states primarily impact self-pay patients. One of those programs in particular can support funding a patient's care needs up to \$5,000 per patient per year.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 108, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

In Section M, pages 109-110, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes. The

applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

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

The Agency reviewed the:

- Application
- Exhibits to the application

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

(15) Repealed effective July 1, 1987.

(16) Repealed effective July 1, 1987.

(17) Repealed effective July 1, 1987.

(18) Repealed effective July 1, 1987.

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

## C

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults.

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2022 SMFP does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility will be located in Pitt County which is served by the Trillium Health Services LME/MCO. Thus, the service area for this facility consists of counties served

by Alliance Health. Facilities may also serve residents of counties not included in their service area.

Pages 284-286 of the 2022 SMFP provide tables that illustrate existing and approved child/adolescent and adult inpatient psychiatric beds located in the Trillium Health Service LME service area. In Section G, page 85, the applicant provides a list of the existing providers of adult and child/adolescent inpatient psychiatric services, shown below:

- Brynn Marr Behavioral Health System (adult and child/adolescent beds)
- CarolinaEast Medical Center
- DLP Wilson Medical Center
- UNC Nash Healthcare
- UNC Wayne Healthcare (temporarily closed)
- Vidant Beaufort Hospital (temporarily closed)
- Vidant Duplin Hospital (temporarily closed)
- Vidant Medical Center
- Vidant North Hospital
- Vidant Roanoke Chowan Hospital

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 112, the applicant states:

*“The proposed project will foster competition by promoting high quality, delivering cost effective services, and providing enhanced access to [behavioral health] services.”*

The applicant provides a bullet list of its experience and proposed services that illustrate the project’s impact on competition in the service area. See also Section G of the application and any exhibits.

Regarding the impact on cost effectiveness, in Section N, page 113, the applicant states:

*“...the proposed project will promote high quality, cost effective services, while providing enhanced access to behavioral health care and treatment services.”*

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

Regarding the impact of the proposal on quality and the project’s impact on medically underserved groups, in Section N, page 113, the applicant states:

*“... Section C of this application, specifically the components of the proposed project ... and the need for the proposed project ... along with the response to Policy GEN-3, further detail the positive impacts the proposed project has on cost, quality and access. Because of all this, the proposed project will have a positive impact on cost effectiveness, quality and accessibility of medically underserved groups for behavioral health care services.”*

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

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

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

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

NA

In Section Q, Form O, the applicant identifies the hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of five hospitals located in North Carolina. However, the applicant does not currently own or operate any inpatient psychiatric facilities in North Carolina. Therefore, this Criterion is not applicable to this review.

- (21) Repealed effective July 1, 1987.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of

health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

The applicant proposes to relocate no more than 127 existing inpatient psychiatric beds and add no more than 17 new inpatient psychiatric beds to a new facility, Eastern North Carolina Behavioral Health Hospital (ENCBHH), to be developed in Greenville, in Pitt County. Upon project completion, ENCBHH will be licensed for no more than 144 inpatient psychiatric beds, serving both adolescents and adults. There are no administrative rules that are applicable to the proposed project.