

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: June 25, 2013

PROJECT ANALYST: Gloria C. Hale
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: E-10096-13 /Caldwell Memorial Hospital, Inc. / Develop 27 adult inpatient psychiatric beds pursuant to the need determination in the 2013 SMFP for Smoky Mountain Center 2/ Caldwell County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, Caldwell Memorial Hospital, Inc., proposes to add 27 adult inpatient behavioral health beds at its existing hospital in Lenoir, Caldwell County, to serve patients with behavioral health illness and patients dually-diagnosed with substance abuse problems. During the review period for this project, the University of North Carolina Health Care System acquired Caldwell Memorial Hospital, Inc. (CMH). However, CMH will continue to operate the hospital facility at its current location. Throughout its application, the applicant refers to psychiatric beds as behavioral health beds, therefore the term, "behavioral health", is used in lieu of the term, "psychiatric", throughout these findings, except when referring to the pertinent need methodology in the SMFP or when specifically stated in CON criteria or rules. CMH does not currently have any behavioral health beds. The 2013 State Medical Facilities Plan (SMFP) contains a need methodology for determining the number of new adult inpatient behavioral health beds needed by service area. Application of the need methodology in the 2013 SMFP identified a need for 27 additional adult inpatient behavioral health beds in the Smoky Mountain Center 2 service area, part of the Smoky Mountain Center Local Management

Entity-Managed Care Organization (LME-MCO). The applicant does not propose to develop more than 27 beds; therefore, the application is conforming to the need determination in the 2013 SMFP.

There are three policies in the 2013 SMFP which are applicable to this review:

POLICY MH-1: LINKAGES BETWEEN TREATMENT SETTINGS which 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.*” Exhibit 4 contains a letter of support for the project from the Chief Executive Officer of the Smoky Mountain Center LME-MCO. The Smoky Mountain Center LME-MCO consists of two multi-county service areas in the western portion of the state, Smoky Mountain Center 1 and Smoky Mountain Center 2. Each of these service areas are considered separately for the purposes of mental health/developmental disability/substance abuse bed inventory and need projections in the SMFP. The application is conforming to Policy MH-1.

POLICY GEN-3: BASIC PRINCIPLES states the following:

“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.”

Promote Safety and Quality

In Section II.11, page 38, and Section II.12(g), page 48, the applicant states that it has a quality assurance plan which includes risk management, and that the behavioral health unit will be an integral part of that plan. Exhibit 14 contains a copy of CMH’s Organizational Performance Improvement Plan. In addition, the applicant states,

“Caldwell Memorial Hospital intends to sign a management agreement with an existing hospital-based behavioral health program to ensure that the best possible programs are developed and implemented, in keeping with best practices, as well as licensure and accreditation requirements.”

The applicant states in Section I.12, page 16, that CMH is currently in negotiations with University of North Carolina Health Systems to develop a partnership in the development of the project. After the application was submitted, UNC of North Carolina Health Systems acquired CMH.

The applicant adequately demonstrates how the proposal will promote safety and quality in the delivery of inpatient behavioral health services.

Promote Equitable Access

In Section VI.2(a-f), pages 112-115, the applicant states,

“Caldwell Memorial Hospital does not discriminate on the basis of age, race, national or ethnic origin, disability, sex, income, or ability to pay. All financial policies and the EMTALA policy apply to all patients...The unit will be certified for Medicaid and, because it will be part of an acute care hospital, can accept Medicaid beneficiaries of all ages.”

In addition, the applicant states, on page 113, that the behavioral health unit will be certified for Medicare reimbursement and that *“All financial policies and the EMTALA policy apply to all patients.”* Copies of these policies are provided in Exhibits 28 and 30. Moreover, the applicant states, on page 114, that CMH utilizes its emergency department and observation areas to care for indigent behavioral health patients until the Smoky Mountain Center LME-MCO can find a suitable placement in a behavioral health facility.

The applicants adequately demonstrate that the proposal will promote equitable access for medically underserved populations.

Maximize Healthcare Value

In Section III.2, page 81, the applicant states that it has the space available and the financial resources necessary to develop the 27-bed behavioral health unit. In addition, on page 83, the applicant states that it will benefit from the economies of scale from developing a larger unit rather than a smaller one, in order to fully support the program and meet the clinical needs of its patients while covering its costs.

The applicant adequately demonstrates the proposal will maximize healthcare value. See Criterion (3) for discussion regarding the need for the project which is incorporated hereby as if set forth fully herein. See Criterion (5) for discussion regarding revenues and costs which is incorporated hereby as if set forth fully herein.

POLICY GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES states the following:

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

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

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

The applicant states, in Section XI.7(a), pages 159-160, that the redesign of the existing space will be in compliance with all applicable federal, state and local requirements for energy efficiency and water conservation. A *“Water and Energy Conservation Plan”* will be included in the energy-saving technologies incorporated into the proposed project. Energy conservation measures will include:

- *“VAV systems in non-sensitive areas.*
- *Reduction of air flow during unoccupied periods in on-sensitive areas.*
- *Full DDC building automation system with individual room thermostats.*
- *Basic commissioning shall be provided by the design engineer.*
- *Leakage test on all ductwork above 2” static pressure.*
- *Extensive use of air flow monitors.*
- *Maximize use of water cooled equipment such as freezers and ice makers”*

In addition, the applicant states that water conservation will include the use of low flow fixtures.

The applicant adequately demonstrates the proposal includes improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4 and conforming to this criterion.

In summary, the application is conforming to Policy MH-1, Policy GEN-3, and Policy GEN-4, and the need determination in the 2013 SMFP for new adult inpatient psychiatric beds. Therefore, the application is conforming to this criterion.

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

C

The applicant, CMH, proposes to add 27 adult inpatient behavioral health beds at the existing hospital in Lenoir, Caldwell County. CMH is currently licensed for 110 general acute care beds and does not currently have behavioral health beds. The proposed beds will be located on the fifth floor of the hospital in the space vacated by pharmacy, administration and support services.

Population to be Served

In Section III.4, page 85, and in supplemental information, the applicant provides projected patient origin by county of residence for the first two years of the proposed adult inpatient behavioral health services, as illustrated below:

**Caldwell Memorial Hospital
 Projected Patient Origin
 Behavioral Health Services**

| County | Operating Year One | Operating Year Two |
|--------------|--------------------|--------------------|
| | % of Total | % of Total |
| Alexander | 9.6% | 9.6% |
| Alleghany | 2.9% | 2.9% |
| Ashe | 7.2% | 7.2% |
| Avery | 4.8% | 4.8% |
| Caldwell | 21.1% | 21.1% |
| McDowell | 11.7% | 11.7% |
| Watauga | 15.0% | 15.0% |
| Wilkes | 17.7% | 17.7% |
| Other* | 10.0% | 10.0% |
| Total | 100.0% | 100.0% |

**“Other includes counties outside Smoky Mountain Center 2 Planning area in the State of North Carolina, and is expected to vary from year to year.”*

The applicant provides the following assumptions for projecting patient origin in Section III.(b), page 87:

“Because of the high need in this LME-MCO, most inpatient behavioral health patients will be referred to the proposed unit from counties in Smoky Mountain Center 2. This is designated as the Primary Service Area. The high need in the Primary Service Area will mean that most patients will originate from these counties. ...Because of the limited availability of behavioral health beds in the state, all behavioral health facilities experience referrals from outside their LME-MCO planning areas. For this reason, the applicant assumes that 90 percent of its referrals will come from inside Smoky Mountain Center 2 and 10 percent from outside the Primary Service Area.”

The applicant adequately identifies the population to be served.

Demonstration of Need

In Section III, pages 55-80, the applicant describes why 27 adult inpatient behavioral health beds are needed at CMH, which is summarized below.

1) Need Determination in 2013 SMFP

According to the 2013 SMFP, the Smoky Mountain Center 2 service area has a need for 27 new adult inpatient behavioral health beds based on current utilization. The counties

included in the Smoky Mountain Center 2 service area are: Alleghany, Alexander, Ashe, Avery, Caldwell, McDowell, Watauga, and Wilkes. Only one of these counties, Avery, has a hospital with inpatient behavioral health beds. Charles A. Cannon Jr. Memorial Hospital (CCMH), located in Linville, Avery County, has 10 certified adult inpatient behavioral health beds and received approval in 2009 (Project I.D. #D-8157-08) to develop six additional adult inpatient behavioral health beds. However, in Section III, page 63, the applicant states that the development of the additional beds has been delayed due to CCMH's status as a Critical Access Hospital and its need to obtain a federal waiver to proceed. The applicant further states, on page 63, *"Because of the small size of its unit, the inability to add additional beds, and the large geographic region that it serves, Charles A Cannon Jr. Memorial Hospital will not be able to meet the needs of Smoky Mountain Center 2."*

Moreover, of the counties in the Smoky Mountain Center 2 service area, Caldwell County residents accounted for the largest number of behavioral health inpatient days of care in 2011. The applicant states in Section III, page 64, that Caldwell County residents accounted for 26% of the service area's total behavioral health inpatient days of care. The applicant further states on page 64, *"At target occupancy of 75 percent, it would require 44 inpatient behavioral health beds to provide these days of care. (12,241 days / 365 days in 2011 / 0.75 target occupancy)."*

2) Downsizing of State Behavioral Health Hospitals

The downsizing of the state's behavioral health hospitals began in State Fiscal Year 2008 and since then the number of admissions to these facilities has been decreasing steadily. The applicant states in Section III, page 58, *"From FY 2007 to FY 2012, the total admissions to state hospitals declined by 78 percent ((17,419-3809)/17,419)."* Broughton Hospital in Morganton, Burke County, is the closest state behavioral health hospital to the Smoky Mountain Center 2 service area. The applicant further states, on page 58, *"The state hospitals now accept only those patients who cannot clinically and securely be managed in community settings."* The applicant provides a table, on page 59, containing data that illustrates the decreasing number of admissions at Broughton from 2,735 in FFY 2008 to 894 in FFY 2012, but also shows only a decrease of 34 in the hospital's average daily census over the same time period, thereby demonstrating that *"only the very long term stay patients remain at Broughton."* The applicant states, on page 58, that the unavailability of these state beds *"is causing delays in care, transfers to distant facilities, and inappropriate use of hospital Emergency Departments."*

3) Population Growth in Smoky Mountain Center 2

The population of the Smoky Mountain Center 2 service area is increasing, and Caldwell County has the largest population of all eight counties in the service area. Caldwell County's population is projected to be 83,332 in 2013, representing 30% of the total population for the region, as stated by the applicant in Section III, page 61. According to a table provided by the applicant on page 60, the total projected population for the service

area in 2013 is 344,136. The population is projected to increase to 355,232 in 2018. This represents an increase of 3.2%. The applicant states, on page 62, “*Behavioral Health services must be available for the increasing population.*”

4) Increasing Emergency Department Visits

The number of emergency department visits for behavioral health care has been increasing throughout the state and in the Smoky Mountain Center 1 and Smoky Mountain Center 2 service areas combined. The applicant provides a chart in Section III, page 73, illustrating increases in the number of ED visits for the combined service areas for primary and co-occurring behavioral health or substance abuse diagnoses each month between July 2009 and September 2012. Summarized as totals for each FFY, the number of emergency department admissions for the combined service areas was 28,660 in FFY 2010, 32,081 in FFY 2011, and 34,522 in FFY 2012, demonstrating a 20% increase in ED visits for behavioral health care from FFY 2010 to FFY 2012.

In addition, the applicant provided a table of emergency department admission rates by county for mental health, developmental disability, and substance abuse (MH/DD/SA) diagnoses for the period, October 2011 – September 2012, in Section III, pages 69-72. The following table provides the emergency department admission rates for primary diagnosis of MH/DD/SA for each of the counties in the Smoky Mountain Center 2 service area:

**Smoky Mountain Center 2
 ED Admission Rates by County
 Primary Diagnosis of MH/DD/SA
 October 2011 – September 2012**

| County | Admissions per 10,000 Population |
|------------------|-------------------------------------|
| Alexander | 167 |
| Alleghany | 211 |
| Ashe | 156 |
| Avery | 202 |
| Caldwell | 181 |
| McDowell | 420 |
| Watauga | 111 |
| Wilkes | 202 |
| Statewide | 163 |

As illustrated in the table above, all but two counties in the Smoky Mountain Center 2 service area, Ashe and Watauga Counties, had admission rates that were higher than the statewide rate.

CMH currently has 14 treatment bays in its emergency department and has recently dedicated four of those bays for behavioral health patients. In addition, CMH is working collaboratively with behavioral health care providers and others to address issues and concerns related to the care of these patients in the emergency department. Despite these efforts, the applicant states, on page 75, *“The impact of the lack of behavioral health inpatient beds on Caldwell Memorial Hospital is most felt in the Emergency Department. CMH has created three additional bays for behavioral health patients, but demand often exceeds supply.”*

Projected Utilization

In Section IV.(d), pages 95-105, the applicant provides the assumptions and methodology used to project utilization of the proposed adult inpatient behavioral health beds, summarized as follows:

First, the applicant assumed that the proposed service area would be similar to the LME-MCOs in the mountain region. The average use rate, or days of inpatient days of care per 10,000 population, was calculated for the entire Mountain Area region consisting of four LME-MCOs. The average use rate for the Mountain Area region was 493 per 10,000 population, calculated by dividing the region’s total days of care by the region’s total adult population for 2011, and then multiplying the quotient by 10,000 (76,489/1,552,279 x 10,000 = 493.)

**Adult Inpatient Behavioral Health Data
 Mountain Area LME-MCOs/Service Areas
 2011**

| Mountain Area LME-MCO/Service Area | Days of Care | Population Ages 18+ | Days per 10,000 Population | Number of Beds |
|---|---------------------|----------------------------|-----------------------------------|-----------------------|
| Partners Behavioral Health Management | 35,543 | 695,733 | 511 | 222 |
| Smoky Mountain Center 1 | 3,901 | 159,026 | 245 | 16 |
| Smoky Mountain Center 2 | 11,459 | 275,339 | 416 | 16 |
| Western Highlands Network | 25,586 | 422,181 | 606 | 131 |
| Total Mountain Area | 76,489 | 1,552,279 | 493 | 385 |

Next, the projected number of inpatient behavioral health days for CMH from the Smoky Mountain Center 2 service area was calculated for the first three years of the project. To obtain the number of projected inpatient days, the projected population of the Smoky Mountain Center 2 service area was multiplied by the average number of inpatient days

of care for the Mountain Area Region, 493 per 10,000. Then, the applicant multiplied CMH’s estimated market share for each project year by the number of projected inpatient days, resulting in the number of projected inpatient behavioral health days for CMH from the Smoky Mountain Center 2 service area. The applicant illustrates this in Section IV, page 102, as depicted in the following table:

Calculation of CMH Projected Inpatient Behavioral Health Days

| | FFY 2017 | FFY 2018 | FFY 2019 |
|---|-----------------|-----------------|-----------------|
| Projected Population Smoky Mountain Center 2 | 285,411 | 287,379 | 289,289 |
| Estimated Average Use Rate per 10,000 | 493 | 493 | 493 |
| Projected Inpatient Days | 14,064 | 14,161 | 14,255 |
| Estimated CMH Market Share | 25% | 50% | 50% |
| CMH Projected Inpatient Days from Smoky Mountain Center 2 Service Area Residents | 3,516 | 7,080 | 7,127 |

In explaining the lower market share in year one, the applicant states, on page 102, that it expects capacity to be limited in the first year while staff is recruited and trained. It expects the service to be fully established in the second year and does not expect to limit capacity. The applicant states, on page 101, that it will be able to achieve a market share of 50 percent by the end of the second year of operation based on the limited supply of beds in Smoky Mountain Center 2, the established relationships of CMH, and the experience of the only other facility in the service area that has adult inpatient psychiatric beds, Charles A. Cannon, Jr. Memorial Hospital. The applicant states, “*CMH believes this [is] a reasonable and conservative assumption.*”

In addition to serving patients from its primary service area, Smoky Mountain Center 2, the applicant assumes that an estimated 10% of its patients will come from counties outside the Smoky Mountain Center 2 service area. The applicant states in Section III.(b), page 87, that this assumption is based on its review of comparable CON applications and hospital license renewals which showed that all behavioral health facilities experience referrals from outside their LME-MCO planning areas due to the limited availability of behavioral health beds in the state. Therefore, the applicant calculated the projected number of inpatient days for patients from outside the primary service area by multiplying the CMH projected inpatient days from the Smoky Mountain Center 2 service area by 0.1 for each of the first three years of the project. The results of this

calculation and the total projected number of inpatient days for CMH for each of the first three years of the project are illustrated as follows:

| | FFY 2017 | FFY 2018 | FFY 2019 |
|--|-----------------|-----------------|-----------------|
| CMH Projected Inpatient Days from Smoky Mountain Center 2 Service Area | 3,516 | 7,080 | 7,127 |
| Percent of Inpatient Days from Outside Primary Service Area | 10.0% | 10.0% | 10.0% |
| Number of Inpatient Days from Outside Primary Service Area | 352 | 708 | 713 |
| CMH Total Projected Inpatient Days | 3,868 | 7,788 | 7,840 |

Next, the applicant utilized an average length of stay of 9.0 days for each of the first three years based on input from clinical nursing staff who consulted with peers to determine an appropriate average length of stay to use to calculate the number of patients. In Section IV, page 102, the applicant states,

“This takes into consideration the lack of child and adolescent patients, and the fact the unit will accept all adult patients, including those with substance abuse disorders and those with co-morbid conditions.”

The number of patients expected to utilize the service in the first three years was calculated by dividing the total number of projected inpatient days by the average length of stay, illustrated as follows:

| | FFY 2017 | FFY 2018 | FFY 2019 |
|-------------------------------------|-----------------|-----------------|-----------------|
| CMH Total Projected Inpatient Days | 3,868 | 7,788 | 7,840 |
| Average Length of Stay in Days | 9 | 9 | 9 |
| CMH Total Projected Patients | 430 | 865 | 871 |

The applicants adequately demonstrate that projected utilization is based upon reasonable, credible and supported assumptions regarding population growth, the downsizing of state behavioral health hospitals, and increasing behavioral health patient

admissions at emergency departments in the proposed service area. Therefore, the applicant adequately demonstrates the need to develop 27 adult inpatient behavioral health beds. Consequently, the application is conforming to this criterion.

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

NA

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

CA

In Section III.3, pages 82-84, the applicant discusses the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo – the applicant states that despite its efforts to stabilize behavioral health patients in the ED and reduce their length of stay, the number of behavioral health patients continues to grow, thereby “*occupying space and utilizing resources that were intended for the general Emergency Department patient.*” The applicant concludes that the current situation is not sustainable, therefore this option was rejected.
- 2) Develop a Smaller Behavioral Health Unit – the applicant states that this option would create difficulties in staffing and supporting the unit and serving the clinical needs of the patients due to economies of scale. Developing a larger unit would allow CMH to justify hiring sufficient numbers of staff and to adequately cover the expenses of the unit.
- 3) Joint Venture – this option was not considered since it would create a freestanding behavioral health facility which would not qualify for Medicaid reimbursement for patients between the ages of 22 to 64. The applicant stated that developing the unit as part of CMH would allow it to serve Medicaid recipients and would also allow it to provide services to patients with co-morbid conditions and medical complications.
- 4) Transfer Beds from State Hospitals – this option was also not considered since the applicant determined that the need for 27 adult inpatient behavioral health beds as determined in the 2013 SMFP was adequate for developing a new adult inpatient behavioral health program.

- 5) Close Existing Acute Care Beds – the applicant states that closing existing acute care beds would result in CMH having less than 100 acute care beds, resulting in a loss of Medicare revenue due to Medicare caps that would then be applied to the Disproportionate Share Payment add-on rate for urban hospitals. The applicant states that it *“does not want to jeopardize this support for uninsured and underinsured patients.”* In addition, CMH would no longer be able to participate in national benchmarking programs for hospitals with 100 to 200 beds which currently provide an incentive to develop best practices in clinical and safety programs. Therefore, this alternative was rejected.

In Section III.3, page 82, the applicant states that CMH has trained its entire ED staff on the special needs of the behavioral health patient and that care for this patient population has been optimized while waiting for suitable placements. CMH expects to build on this experience by developing a 27-bed adult inpatient behavioral health unit in response to the need identified in the 2013 SMFP.

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

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

- 1. Caldwell Memorial Hospital, Inc. shall materially comply with all representations made in the certificate of need application and supplemental information provided. In those instances where representations conflict, Caldwell Memorial Hospital, Inc. shall materially comply with the last made representation.**
 - 2. Caldwell Memorial Hospital, Inc. shall develop and operate no more than 27 adult inpatient psychiatric beds for a total licensed bed complement of no more than 110 acute care beds and 27 adult inpatient psychiatric beds upon completion of this project.**
 - 3. Caldwell Memorial Hospital, Inc. shall accept patients requiring involuntary admission for adult inpatient behavioral health services.**
 - 4. Caldwell Memorial Hospital, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial

feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.1, page 140, the applicant projects the capital cost of the project to be \$4,525,440 as shown in the following table:

| Item | Projected Cost |
|--------------------------------------|-----------------------|
| Construction Contract | \$3,389,400 |
| Movable Equipment Purchase/ Lease | \$441,000 |
| Furniture | \$161,400 |
| Architect/Engineering Fees | \$350,464 |
| DHSR Review | \$9,900 |
| Contingency | \$103,276 |
| Asbestos Abatement | \$70,000 |
| Total | \$4,525,440 |

In Section VIII.2, page 141, the applicant indicates that it will finance the proposed project with accumulated reserves in the amount of \$4,525,440. Exhibit 42 contains a letter from the Vice President of Finance and Chief Financial Officer of Caldwell Memorial Hospital, Inc. which states:

“This letter is to confirm that Caldwell Memorial Hospital Inc. plans to utilize cash reserves to fund the proposed addition of 27 psychiatric inpatient beds. ...Please accept this letter as commitment of necessary funds to develop the entire project.”

In Section IX.1, page 146, the applicant projects start-up expenses of \$876,281. On page 147, the applicant states that funding for the start-up expenses will come from cash reserves and short term investments. The applicant provides a letter from CMH’s Vice President of Finance and Chief Financial Officer in Exhibit 42 indicating the availability and planned use of CMH’s cash reserves for the entire project. The start-up expenses include *“the Recruitment and Training budget, three months of salary and benefits expenses, one month’s supply expenses, an allowance for one quarter of management fees.”* In addition, the applicant states, on page 147,

“As demonstrated in the proformas in Tab 13, revenue shortfalls for the unit will be absorbed from hospital operations. Proformas have been adjusted with an assumption that the Medicare Sequestration will be in effect from 2013 forward.”

Exhibit 43 contains audited financial statements for CMH and Affiliate for the fiscal years ending September 30, 2011 and September 30, 2012. As of September 30, 2012,

CMH and Affiliate had \$64,376,776 in total assets and \$22,891,891 in total liabilities. Total net assets were \$41,484,885 (total assets minus total liabilities). The applicant had cash and cash equivalents of \$8,046,152. The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project.

The applicant provides pro forma financial statements for the first three operating years of the proposed project. The applicant projects operating expenses for the proposed project will exceed revenues in the first operating year of the project, and revenues will exceed operating expenses in the second and third years, as illustrated in the following table:

| CMH Adult Behavioral Health Unit | Project Year 1 10/01/2016 – 9/30/2017 | Project Year 2 10/01/2017 – 9/30/2018 | Project Year 2 10/01/2018 – 9/30/2019 |
|---|--|--|--|
| Projected # of days | 3,868 | 7,788 | 7,840 |
| Projected Average Charge (Gross Patient Revenue/ Projected # of Days) | \$1,390 | \$1,432 | \$1,475 |
| Gross Patient Revenue | \$5,376,773 | \$11,150,724 | \$11,561,618 |
| Deductions from Gross Patient Revenue | \$2,586,662 | \$5,591,650 | \$6,024,472 |
| Net Patient Revenue | \$2,790,111 | \$5,559,074 | \$5,537,146 |
| Total Expenses | \$4,291,384 | \$4,640,118 | \$4,739,923 |
| Net Income (Loss) | (\$1,501,273) | \$918,956 | \$797,223 |

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

| CMH Entire Facility | Project Year 1 10/01/2016 – 9/30/2017 | Project Year 2 10/01/2017 – 9/30/2018 | Project Year 2 10/01/2018 – 9/30/2019 |
|---------------------------------------|--|--|--|
| Gross Patient Revenue | \$296,013,664 | \$310,506,721 | \$319,898,295 |
| Deductions from Gross Patient Revenue | \$189,340,670 | \$198,442,216 | \$205,169,310 |
| Net Patient Revenue | \$106,672,994 | \$112,064,505 | \$114,728,985 |
| Other Revenue | \$9,464,891 | \$9,748,838 | \$10,041,303 |
| Total Revenue | \$116,137,885 | \$121,813,343 | \$124,770,288 |
| Total Expenses | \$114,729,468 | \$118,156,104 | \$121,252,395 |
| Net Income (Loss) | \$1,408,417 | \$3,657,239 | \$3,517,893 |

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

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

C

Pursuant to a facility need determination in the 2013 SMFP, the applicant proposes to develop 27 adult inpatient behavioral health beds at CMH. The 2013 SMFP indicates that there is only one inpatient behavioral health service in the Smoky Mountain Center 2 service area. Charles A. Cannon, Jr. Memorial Hospital (CCMH), located in Avery County, has 10 licensed adult inpatient behavioral health beds. Appalachian Behavioral Health Center, Inc. and CCMH were approved to add six adult inpatient behavioral health beds on January 13, 2009 (Project I.D. #D-8157-08). However, the applicant states in Section III.1, page 63, that CCMH is delayed in developing the six additional beds due to its status as a Critical Access Hospital which requires it to obtain a federal waiver. According to CCMH's 2013 License Renewal Application, CCMH reported 2,773 days of care in the adult inpatient behavioral health unit from October 1, 2011 through September 30, 2012. The occupancy rate for the unit was 76% $\{(2,773 \text{ inpatient days of care} / 365 \text{ days per year} = 7.6) / 10 \text{ beds} = 76\}$. CMH was the only facility to submit an application for the 27 adult inpatient behavioral health beds identified in the 2013 SMFP need determination for the Smoky Mountain Center 2 service area. The applicant adequately demonstrates the need to develop 27 adult inpatient behavioral health beds in Smoky Mountain Center 2. See Criterion (3) for discussion regarding need

which is incorporated hereby as if set forth fully herein. Therefore, the applicant adequately demonstrates that the proposed project will not result in unnecessary duplication of existing or approved adult inpatient behavioral health beds. Consequently, the application is conforming to this criterion.

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

C

The following table illustrates the proposed staffing for the adult inpatient behavioral health beds for Year 2 of the project, as shown in Section VII.2, pages 130-131.

| Position | Proposed Full-time Equivalent (FTE) Positions |
|--------------------------------------|--|
| Designated Director | 1.00 |
| Medical Director | Included in psychiatrist |
| Psychiatrists | 2.50 |
| Psychologists | Contractual as needed |
| Behavioral Health Social Workers | 3.80 |
| Behavioral Health Registered Nurses | 11.60 |
| Nursing Assistants/ Aides/ Orderlies | 9.20 |
| Clerical Support/ Unit Secretaries | 4.70 |
| Pharmacy | .25 |
| Housekeeping and Laundry | 2.10 |
| Security | 3.10 |
| Recreational Therapist | 2.20 |
| Total | 40.50 |

The applicant states in Section VII.3(a), page 132, that it does not currently have the following positions: Designated Director, Psychiatrist, Psychologist, Behavioral Health Registered Nurse, Behavioral Health Social Worker, and Recreational Therapist. Plans for recruiting for these positions include: utilizing existing mental health agencies in Caldwell County as sources of referrals for new employees, utilizing its own recruiters on staff to manage searches, advertising in professional journals, newspapers and through on-line resources, reaching out to the Smoky Mountain Center LME-MCO provider network and Appalachian State University, contracting with a national physician search firm to recruit psychiatrists, and contracting with a local psychology practice for needed services. The applicant states that it will utilize its executive team, namely CMH's Vice

President for Business Development, who is a Certified Medical Staff Recruiter, and its Vice President of Physician Services, in addition to its Human Resources staff, to obtain needed professional staff for the proposed behavioral health services.

Moreover, in regard to psychiatrists and the behavioral health unit's Medical Director, the applicant states on page 133,

“Only American Board of Psychiatry and Neurology board eligible or board certified physicians will be considered. At least one of the proposed positions must be filled by a psychiatrist with 10 years professional practice experience, including at least two years of management experience. This person will assume the role of Medical Director for the proposed unit.”

The applicant adequately demonstrates the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided. Therefore, the application is conforming to this criterion.

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

C

In Section II.9, pages 33-35, the applicant lists the necessary ancillary and support services that will be provided by CMH for the proposed services. Additionally, in Section V.3(a), page 108, the applicant states that CMH has transfer agreements with the following hospitals: Broughton Hospital, Carolinas Medical Center, Catawba Valley Medical Center, Wake Forest University Baptist Medical Center, Mission Hospital and Wellmont Bristol Regional Medical Center in Tennessee. CMH intends to arrange for additional transfer agreements with hospitals in the Smoky Mountain Center 2 service area that have emergency departments, as well as other hospitals. In addition, the applicant provides a letter in Exhibit 16 from Caldwell Physician Network's Executive Committee indicating physicians' willingness to refer patients to the facility. Mountain Emergency Physicians also indicates its support for the project in a letter provided in Exhibit 35. The applicant adequately demonstrates that the necessary ancillary and support services will be made available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA

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

NA

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

NA

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

C

In Section VI.11, page 125, the applicant provides the current payor mix for the entire facility during FFY 2012, October 1, 2011 – September 30, 2012, illustrated as follows:

| Payor | Patient Days as % of Total |
|---------------------------------|-----------------------------------|
| Self Pay/ Indigent/ Charity | 7.6% |
| Medicare/ Medicare Managed Care | 67.0% |
| Medicaid | 14.9% |
| Commercial Insurance | 0.2% |
| Managed Care | 10.3% |
| Other | 0.1% |
| Total | 100.0% |

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

| County | Total # of Medicaid Eligibles as % of Total Population June 2010 | Total # of Medicaid Eligibles Age 21 and older as % of Total Population June 2010 | % Uninsured CY 2008-2009 (Estimate by Cecil G. Sheps Center) |
|------------------|---|--|---|
| Caldwell | 19% | 8.6% | 18.1% |
| Statewide | 17% | 6.8% | 19.7% |

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the proposed health services at the same rate as older segments of the population.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services in SFY 2010 was 31.6% for those aged 21 and older. The percentage for Caldwell County was 32.5%. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data are available by age, race or gender. However, a direct comparison to the applicant's current payor mix would be of little value. The population data by age, race or gender do not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicants demonstrate that medically underserved populations currently have adequate access to services available at CMH. Therefore, the application is conforming to this criterion.

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

C

In Section VI.10, page 124, CMH states it has no obligations under federal regulations to provide uncompensated care, community service or access to underserved persons. However, it does continue to provide these "*as a responsible member of the community.*" A copy of CMH's charity care policy is provided in Exhibit 30. In addition, the applicant states that it is in compliance with the American Disabilities Act, the Civil Rights Act, and all other federally mandated regulations related to minorities and individuals with disabilities.

In Section VI.9(a), page 123, the applicant states that no civil rights equal access complaints were filed against CMH or any of its affiliates in the last five years. Therefore, the application is conforming to this criterion.

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

C

In Section VI.12(a), page 126, the applicant provides the projected payor mix for the proposed adult inpatient behavioral health beds for the second year of operation following project completion, as illustrated below:

| Payor | Patient Days as % of Total |
|---------------------------------|-----------------------------------|
| Self Pay/ Indigent/ Charity | 8.0% |
| Medicare/ Medicare Managed Care | 35.0% |
| Medicaid* | 38.0% |
| Managed Care/ Commercial** | 19.0% |
| Total | 100.0% |

*"Medicaid includes TriCare"

**"Managed Care includes Workers Comp, State Employees"

On page 127, the applicant states that its projected payor mix for the proposed behavioral health unit will be similar to other general behavioral health units in acute care hospitals, and that it conducted an examination of other similar *"community inpatient units that have recently proposed expansions. CMH also looked at the demographics of the proposed service area."* The applicant assumed there would be a higher percentage of Medicare patients in the behavioral health unit than the percent in the total population due to cognitive disorders frequently seen in these patients.

The applicant demonstrates that medically underserved populations would have adequate access to the proposed adult inpatient behavioral health services. Therefore, the application is conforming to this criterion.

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

C

In Section VI.8, page 120, the applicant discusses the means by which patients will have access to the proposed services, which includes referrals from: private physicians, psychologists or social workers, CMH's hospital emergency department and the other six emergency departments in the Smoky Mountain Center 2 service area, urgent care centers, nursing homes, RHA Behavioral Health Services, law enforcement, other LME-MCO service areas in the state, and self-referrals. The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to the proposed services. Therefore the application is conforming to this criterion.

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

C

In Section V.1(a), page 106, the applicant identifies the several professional training programs that currently use CMH as a clinical training site. These include colleges or universities with schools of nursing, pharmacy, medicine, and allied health sciences. Exhibit 33 contains copies of agreements in effect with these educational institutions. The applicant adequately demonstrates that the facility will continue to accommodate the clinical needs of area health professional training programs. 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

In Section V.6, page 110, the applicant discusses the impact of the proposed project on competition in the service area. The applicant is proposing to develop 27 adult inpatient behavioral health beds in the Smoky Mountain Center 2 service area in response to a need identified in the 2013 SMFP. The applicant states, “...*only 12 percent of behavioral health patients from this area attained access to community based beds in the area.*” The only provider of adult inpatient behavioral health services in the eight county Smoky Mountain Center 2 service area is CCMH in Avery County. CCMH currently has 10 adult inpatient behavioral health beds and is approved for an additional six beds. The development of the additional beds is currently delayed pending a federal waiver. See Section V.6(b), page 111, where the applicant further discusses the cost-effectiveness of the proposed project, Section III.2(a), page 81, and Exhibit 81 for methods to ensure and maintain quality of care, and Section VI.2, pages 112-115, where the applicant discusses how access to the proposed services will be attained. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to adult inpatient behavioral health services in Caldwell County. This determination is based on the information in the application, and the following:

- ◆ The applicant adequately demonstrates the need to develop 27 adult inpatient psychiatric beds at CMH, and that it is a cost-effective alternative to meet the need;
- ◆ The applicant has and will continue to provide quality services; and

- ◆ The applicant has provided and will continue to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

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

C

According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on the hospital. Therefore, the application is conforming to this criterion.

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

C

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

10A NCAC 14C .2602 INFORMATION REQUIRED OF APPLICANT

- (a) *An applicant proposing to establish new psychiatric beds shall project resident origin by percentage by county of residence. All assumptions and the methodology for projecting occupancy shall be stated.*
- C- In Section III.5(a), page 86, the applicant provides projected patient origin by county of residence for the proposed adult inpatient behavioral health beds for the first two years of operation following completion of the project. Assumptions and methodology are discussed in Section III.5(b), pages 87-89.

- (b) *An applicant proposing to establish new psychiatric beds shall project an occupancy level for the entire facility for the first eight calendar quarters following the completion of the proposed project, including average length of stay. All assumptions and the methodology for projecting occupancy shall be stated.*
- C- In Section IV.(c), pages 93-94, the applicant projects occupancy levels for all behavioral health beds for each of the first eight calendar quarters following the completion of the proposed project, including the average length of stay. Assumptions and the methodology used are provided on pages 97-105.
- (c) *The applicant shall provide documentation of the percentage of patients discharged from the facility that are readmitted to the facility at a later date.*
- C- In Section II.2, page 21, the applicant states that CMH does not have existing behavioral health beds. However, the applicant provides the projected percentage of discharged patients readmitted at a later date in Section II, page 42. The percentage of readmissions projected to occur annually is 6.0%.
- (d) *An applicant proposing to establish new psychiatric beds shall describe the general treatment plan that is anticipated to be used by the facility and the support services to be provided, including provisions that will be made to obtain services for patients with a dual diagnosis of psychiatric and chemical dependency problems.*
- C- The applicant discusses the general treatment plan in Section II.8, page 32, and Exhibit 10 of the application, and describes support services to be provided in Sections II.3, pages 28-30, and II.9, pages 33-35. In addition, in Section II.4, page 30, the applicant describes its plan for obtaining services for patients who are dually diagnosed with psychiatric and chemical dependency problems.
- (e) *The applicant shall document the attempts made to establish working relationships with the health care providers and others that are anticipated to refer clients to the proposed psychiatric beds.*
- C- The applicant states, in Section II, page 43, that it has existing relationships with community providers and other behavioral health stakeholders through the local behavioral health collaborative that CMH convened. In addition, CMH has the support of the leadership of the Smoky Mountain Center LME-MCO and the Smoky Mountain Center Consumer and Family Advisory Committee as evidenced in letters of support provided in Exhibits 4 and 17, respectively. Moreover, Exhibit 16 includes a letter of support from the Medical Director of the Caldwell Physician Network, representing primary and specialty care physicians willing to refer patients to the proposed behavioral health unit.
- (f) *The applicant shall provide copies of any current or proposed contracts or agreements or letters of intent to develop contracts or agreements for the provision of any services to the clients served in the psychiatric facility.*
- C- The applicant provides a copy of a contract between CMH and Smoky Mountain Center LME-MCO for the provision of behavioral health services in Exhibit 4 and a letter of

support from University of North Carolina Hospitals (UNCH) in Exhibit 5 indicating UNCH's willingness to consider providing assistance in the development of the proposed service. In addition, the applicant provides a letter of support from RHA Health Services, Inc., a mobile provider of behavioral health services, indicating their willingness to continue and expand their working relationship with CMH for the proposed project.

(g) *The applicant shall document that the following items are currently available or will be made available following completion of the project:*

(1) *admission criteria for clinical admissions to the facility or unit;*

-C- The applicant provides admission criteria in Exhibit 7 of the application.

(2) *emergency screening services for the targeted population which shall include services for handling emergencies on a 24-hour basis or through formalized transfer agreements;*

-C- The applicant discusses its emergency screening and admissions criteria in Exhibit 7. In addition, the applicant discusses its eligibility and admissions process in Section II, page 46, stating that the procedure for admission “*will be in effect for 24 hours a day, seven days a week.*”

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

-C- The applicant states, in Section II, page 46, that “*The Intake Assessment is completed at the time of Inquiry*” and is documented on the Intake Assessment form. In Section II.8, page 32, the applicant states that a “*Social Service Assessment and a Recreational Therapy Assessment may also be completed*” and that a subsequent individualized plan of care is developed based on these assessments.

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

-C- The applicant states, in Section II, page 32, that a “*Patient Aftercare Plan*” is developed as part of discharge planning. Proposed discharge and aftercare procedures are provided in Exhibit 13.

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

-C- The applicant states, in Section II, pages 24 and 47, that family therapy and family support interventions, respectively, will be provided as part of the scope of care. Procedures for family involvement are addressed in Exhibits 7, 10 and 13.

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

-C- Exhibit 10 includes “*Treatment Interventions policy*” which includes community meetings/goals group, group interventions, individual interventions, and family conjoint therapy. In addition, in Section II, page 24, the applicant states that the scope of care will include pharmaceutical therapy and recreation therapy.

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

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

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

-C- The applicant provides three policies in Exhibit 13 that pertain to the provision of an aftercare plan, namely “*Discharge Instructions for Behavioral Health Patients*”, “*Discharge of Patients*” and “*Discharge Planning and Continuing Care Overview.*”

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

-C- On page 48 in Section II, the applicant states that CMH has plans for Quality Assurance, Utilization Management, and Risk Management and that the Behavioral Health Unit will be integrated within these existing CMH plans. The applicant provides copies of these plans in Exhibit 14.

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

-C- The proposed adult inpatient behavioral health unit will be located within CMH at its current site located at 321 Mulberry Street, SW, Lenoir, in Caldwell County.

(i) *An applicant proposing to establish new psychiatric beds shall provide documentation to show that the services will be provided in a physical environment that conforms with the requirements in 10A NCAC 27G .0300.*

-C- In Section II, page 49, the applicant states that it “*has reviewed 10A NCAC 27G .0301 and will work with the architect and construction staff to ensure that the physical environment is conforming to these requirements.*”

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

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

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

- C- The applicant states in Section II.5, page 31, that CMH will accept involuntary admissions to its behavioral health unit and will meet the requirements of 10A NCAC 26C .0103 for custody and treatment of involuntary clients.

.2603 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add psychiatric beds in an existing facility shall not be approved unless the average occupancy over the six months immediately preceding the submittal of the application of the total number of licensed psychiatric beds within the facility in which the beds are to be operated was at least 75 percent.*
- NA- CMH does not currently have inpatient psychiatric beds.
- (b) *An applicant proposing to establish new psychiatric beds shall not be approved unless occupancy is projected to be 75% for the total number of licensed psychiatric beds proposed to be operated in the facility no later than the fourth quarter of the second operating year following completion of the project.*
- C- The applicant provides projected quarterly utilization data through the third full fiscal year in Section IV.(c), pages 93-94. This includes the number of licensed adult inpatient behavioral health beds, the total number of patients admitted, the average length of stay and the total number of discharged patients readmitted at a later date during the year. The occupancy rate for the fourth quarter of the second operating year is 81.9%, as calculated by the Project Analyst. Projected utilization for FFY 1 and FFY 2 is illustrated as follows:

**Projected Utilization
 First Full Operating Year, FFY 1**

| | First Quarter 10/2016 to 12/2016 | Second Quarter 1/2017 to 3/2017 | Third Quarter 4/2017 to 6/2017 | Fourth Quarter 7/2017 to 9/2017 | Total |
|--|---|--|---|--|--------------|
| # of Licensed Inpatient Behavioral Health Beds | 27 | 27 | 27 | 27 | 27 |
| Total # of Patients Admitted | 83 | 91 | 116 | 140 | 430 |
| Total # of Patient Days of Care | 745 | 823 | 1,044 | 1,256 | 3,868 |
| Average Length of Stay | 9 | 9 | 9 | 9 | 9 |
| % Occupancy | 30.7% | 33.7% | 43.0% | 51.9% | 39.3% |
| Total # of Discharged Patients Readmitted at Later Date During the Year | | | | | 26 |

**Projected Utilization
 Second Full Operating Year, FFY 2**

| | First Quarter 10/2017 to 12/2017 | Second Quarter 1/2018 to 3/2018 | Third Quarter 4/2018 to 6/2018 | Fourth Quarter 7/2018 to 9/2018 | Total |
|--|---|--|---|--|--------------|
| # of Licensed Inpatient Behavioral Health Beds | 27 | 27 | 27 | 27 | 27 |
| Total # of Patients Admitted | 214 | 212 | 218 | 221 | 865 |
| Total # of Patient Days of Care | 1,925 | 1,908 | 1,966 | 1,990 | 7,788 |
| Average Length of Stay | 9 | 9 | 9 | 9 | 9 |
| % Occupancy | 79.3% | 78.5% | 80.7% | 81.9% | 78.9% |
| Total # of Discharged Patients Readmitted at Later Date During the Year | | | | | 52 |

.2605 STAFFING AND STAFF TRAINING

- (a) *A proposal to provide new or expanded psychiatric beds must provide a listing of disciplines and a staffing pattern covering seven days per week and 24 hours per day.*
- C- In Section VII.5, page 135, the applicant indicates that care will be provided for adult inpatient behavioral health patients by a number of staff of various disciplines, in three shifts, or 24 hours a day. The applicant provides a table depicting the proposed staffing pattern for a typical week.
- (b) *A proposal to provide new psychiatric beds must identify the number of physicians licensed to practice medicine in North Carolina with a specialty in psychiatry who practice in the primary service area. Proposals specifically for or including child or adolescent psychiatric beds must provide documentation to show the availability of a psychiatrist specializing in the treatment of children or adolescents.*
- C- The applicant states, in Section VII.7(a), page 137, that there are 11 physicians with active licenses and a specialty in psychiatry in the eight county Smoky Mountain Center

2 service area. The applicant's proposed project does not include serving children or adolescents.

(c) *A proposal to provide additional psychiatric beds in an existing facility shall indicate the number of psychiatrists who have privileges and practice at the facility proposing expansion. Proposals specifically for or including child or adolescent psychiatric beds must provide documentation to show the availability of a psychiatrist specializing in the treatment of children or adolescents.*

-NA- CMH does not currently provide inpatient psychiatric services. The applicant states in Section VII.7, page 137, that there are currently no psychiatrists with medical staff privileges at CMH.

(d) *A proposal to provide new or expanded psychiatric beds must demonstrate that it will be able to retain the services of a psychiatrist who is eligible to be certified or is certified by the American Board of Psychiatry and Neurology to serve as medical director of the facility or department chairman of the unit of a general hospital.*

-C- The applicant plans to recruit a full-time psychiatrist to serve as the unit's Medical Director. As stated in Section VII.8, page 138, the position will require a psychiatrist who is board eligible or board certified by the American Board of Psychiatry and Neurology. The recruitment plan for all psychiatrists, including the Medical Director, is discussed in Section VII.3(c).

(e) *A proposal to provide new or expanded psychiatric beds must provide documentation to show the availability of staff to serve involuntary admissions, if applicable.*

-C- In Section II.5(a), page 31, the applicant states, "Caldwell Memorial Hospital will meet the requirements of 10A NCAC 26C .0103 for custody and treatment of involuntary patients, pursuant to GS 122C-252." In addition, the applicant states in Section VII, page 134, that it provides all staff with required training for all types of patients that may be cared for in the unit and states, "The proposed staff plan is adequate to meet the needs of those patients who meet the screening Admission Criteria, as well as to respond to unexpected circumstances on the unit." The applicant includes a copy of its Involuntary Admission Procedure in Exhibit 7.

(f) *A proposal to provide new or expanded psychiatric beds must describe the procedures which have been developed to admit and treat patients not referred by private physicians.*

-C- In Section VI.5, page 117, the applicant states that those who meet admission criteria and who do not have a private physician will be assigned to one of CMH's employed psychiatrists. The psychiatrist on duty will accept the patient and begin the admission process.

(g) *A proposal to provide new or expanded psychiatric beds shall indicate the availability of training or continuing education opportunities for the professional staff.*

-C- The applicant describes the types of training programs that will be available to staff of the behavioral health unit in Section VII.6, page 136. Staff of the behavioral health unit will receive training through additional content to the training program that is in place for

all employees of CMH. In addition, behavioral health community clinicians will be sought to provide clinical training programs and many mental health educational opportunities will continue to be available to staff through the Northwest Area Health Education Center.