

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: September 25, 2013

PROJECT ANALYST: Jane Rhoe-Jones  
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: J-10139-13/ University of North Carolina Hospitals at Chapel Hill d/b/a University of North Carolina Hospitals at WakeBrook/ Relocate 12 adult inpatient psychiatric beds from Broughton Hospital to UNC Hospitals at WakeBrook for a total of 28 beds upon completion of this project and Project I.D.# J-10069-12 / Wake County

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, University of North Carolina Hospitals (UNCH) at Chapel Hill, proposes to relocate 12 adult inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2013 State Medical Facilities Plan (2013 SMFP) for a total of 28 adult inpatient psychiatric beds at UNCH at WakeBrook upon completion of this project and Project I.D. # J-10069-12. The applicant is leasing the space from Wake County at no cost and the 12 additional adult inpatient psychiatric beds will be licensed along with the 16 existing beds as a freestanding psychiatric hospital licensed under G.S. Chapter 122C-23, Article 2, and certified as part of UNCH for Medicare reimbursement purposes. The facility is located at 111 Sunnybrook Road, Raleigh, in Wake County. UNCH plans to construct a 5,492 square foot addition to the existing building to accommodate the 12 additional beds plus support space. The applicant does not propose to develop new inpatient psychiatric beds. Therefore, there are no need determinations in the 2013 SMFP applicable to this review.

There are three policies in the 2013 SMFP which are applicable to the review of this application. The first of these, Policy MH-1: LINKAGES BETWEEN TREATMENT SETTINGS, states:

*“An applicant for a certificate of need for psychiatric, substance abuse, or Intermediate Care Facilities for the Mentally Retarded beds shall document that the affected local management entity has been contacted and invited to comment on the proposed services.”* Exhibit 12 contains a June 11, 2013 letter of support for the project from the Area Director for the Alliance Behavioral Healthcare which is the Local Management Entity-Managed Care Organization (LME-MCO) for Wake County. The application is consistent with Policy MH-1.

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

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

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

In Exhibit 13, pages 144-147, the applicant provides a signed memorandum of agreement between Alliance Behavioral Healthcare, the LME-MCO serving Wake County, the Secretary of the Department of Health and Human Services, and UNCH at WakeBrook, which states:

*“WHEREAS, the 2013 State Medical Facilities Plan authorizes the transfer of psychiatric inpatient beds from the State psychiatric hospitals to community-based facilities that are willing to care for residents who are normally placed in psychiatric beds at the State psychiatric hospitals.*

*WHEREAS, the 2013 State Medical Facilities Plan (SMFP) ‘Policy PSY-1: Transfer of Beds from State Psychiatric Hospitals to Community Facilities,’ requires that an application for a Certificate of Need (CON) to transfer psychiatric beds from a State psychiatric hospital to a community-based facility must include a written agreement between the local management entity serving the county where the beds are to be located, the Secretary of Health and Human Services, and the person submitting the proposal.*

*NOW THEREFORE, the North Carolina Department of Health and Human Services, the Division of Mental Health, Developmental Disabilities and Substance Abuse Services,*

*and Broughton Hospital (collectively referred to as the 'Department'); Alliance Behavioral Healthcare (LME for Wake and Durham Counties), and UNC Hospitals at WakeBrook to be located in Wake County, do hereby agree as follows:*

- A. The Department agrees to transfer up to twelve (12) psychiatric inpatient beds from Broughton Hospital to UNC Hospitals at WakeBrook in Wake County.*
- B. The Department agrees to close twelve (12) psychiatric inpatient beds at Broughton Hospital within 90 days following the date the transferred beds become operational in the community.*
- C. Alliance Behavioral Healthcare and UNC Hospitals at WakeBrook agree to comply with the requirements of Policy PSY 1: transfer of Beds from State Psychiatric Hospitals to Community Facilities set forth in the 2013 State Medical Facilities Plan.*
- D. All Parties agree that this MOA is for the expressed purpose of transferring beds from Broughton Hospital to UNC Hospitals at WakeBrook and that such transfer does not include or imply the transfer of any monetary or other resources associated with these beds from the Department to support operation of such beds by UNC Hospitals at WakeBrook in Wake County.*
- E. As set forth in the agreement between Alliance Behavioral Health [sic] and UNC Hospitals at WakeBrook, Alliance Behavioral Health [sic] and UNC Hospitals at WakeBrook will be developing the criteria, process and procedures for Alliance Behavioral Health [sic] LME approving the admissions of LME residents to UNC Hospitals at WakeBrook whose care will be reimbursed by Alliance Behavioral Health [sic] LME. Alliance Behavioral Health [sic] LME and UNC Hospitals at WakeBrook also have agreed that Alliance Behavioral Health [sic] LME will be an active participant in discharge planning for Alliance Behavioral Health [sic] LME area patients.”*

Alliance Behavioral Healthcare is the LME-MCO for Cumberland, Durham, Johnston, and Wake counties. However, each county is a separate LME-MCO<sup>1</sup>. The signed agreement and the letter in Exhibit 24 adequately document the following:

- The Local Management Entity-Managed Care Organization (LME-MCO), Alliance Behavioral Healthcare, has provided a letter of support for the proposal.

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

- The Department of Health and Human Services has agreed to close 12 psychiatric beds at Broughton Hospital within 90 days following the transfer of the beds to UNC Hospitals at WakeBrook.
- UNC Hospitals at WakeBrook has committed to serve the type of short-term psychiatric patients normally placed at the state psychiatric hospitals.
- The application includes a signed written memorandum of agreement between the LME-MCO, the Department of Health and Human Services and UNC Hospitals at WakeBrook.

The application is consistent with Policy PSY-1.

The third policy applicable to this review is Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 43 of the 2013 SMFP. Policy GEN-4 states:

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

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

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

In Section XI.7(a-b), pages 89-90, the applicant provides a written statement describing the plan to implement an Energy Efficiency and Sustainability Plan to assure improved energy efficiency and water conservation, to include lightning systems, water systems, heating, ventilation and air conditioning (HVAC) systems, minor equipment and other potential energy conservation measures. The application is consistent with Policy GEN-4.

In summary, the application is consistent with all applicable policies in the 2013 SMFP. Therefore, the application is conforming to this criterion.

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

### C

The applicant proposes to relocate 12 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 in the 2013 State Medical Facilities Plan (2013 SMFP) for a total of 28 adult inpatient psychiatric beds at UNCH at WakeBrook, upon completion of this project and Project I.D. # J-10069-12. The proposal includes plans to construct a 5,492 square foot addition to the existing building located at 111 Sunnybrook Road to accommodate the 12 additional beds plus support space. The applicant is leasing the facility from Wake County at no cost. Upon project completion, UNCH at WakeBrook would be licensed for a total of 28 adult inpatient psychiatric beds. The facility will serve adults 18 years of age and older.

#### Population to be Served

In Section III.5(a), page 45, the applicant provides projected patient origin by county of residence for the first two years as follows:

County	Operating Year One July 1, 2015 – June 30, 2016		Operating Year Two July 1, 2016 – June 30, 2017	
	# of Patients	% of Total	# of Patients	% of Total
Wake	1,484	96.0%	1,512	96.0%
Other*	62	4.0%	63	4.0%
Total	1,546	100.0%	1,575	100.0%

\*Other includes Johnston, Franklin, Durham and other counties.

In Section III.5(b), page 45, the applicant states,

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

The applicant adequately identifies the population to be served.

#### Demonstration of Need

In Section III.1(b), page 28, the applicant states the need for additional adult inpatient psychiatric beds in Wake County is based on the following factors: Wake County’s population growth; admission delays to state psychiatric hospitals; long wait times in hospital emergency departments before a patient can be transferred to an appropriate inpatient psychiatric facility; and high utilization of existing adult inpatient psychiatric beds. Each of these factors is discussed by the applicant in greater detail on pages 28-39 of the application.

On page 28, the applicant provides population projections for Wake County and the State. The population of Wake County is projected to increase 10.9% between 2013 and 2017. See the following tables.

<b>POPULATION PROJECTIONS</b>						
	<b>Jul-2013</b>	<b>Jul-2014</b>	<b>Jul-2015</b>	<b>Jul-2016</b>	<b>Jul-2017</b>	<b>Jul-2018</b>
<b>Wake County</b>	966,424	987,572	1,008,721	1,029,868	1,051,018	1,072,166
<b>State Total</b>	9,873,948	9,980,919	10,087,832	10,196,150	10,303,787	10,412,292

<b>PROJECTED GROWTH</b>		
	<b>2013 - 2017</b>	
<b>Wake County</b>	105,742	10.9%
<b>State Total</b>	538,344	5.5%

On page 29, the applicant provides the data regarding utilization of adult inpatient psychiatric beds in non-state hospitals in Wake County shown below in the table:

<b>Inpatient Psychiatric Bed Utilization for Non-State Hospitals Wake County</b>			
	<b>2006</b>	<b>2011</b>	<b>% Change</b>
<b>Adult Inpatient Psychiatric Days of Care</b>	14,506	28,294	95.1%
<b>Wake County Population (18+ years of age)</b>	578,796	692,795	19.7%
<b>Utilization Rate for Days of Care*</b>	250.6	408.4	63.0%
<b>Licensed Adult Psychiatric Beds</b>	45	80	77.8%

\*Rate is based on days of care per 10,000 persons. Applicant’s source: 2008 & 2013 SMFP.

On page 29, the applicant states:

*“The total adult psychiatric inpatient days of care for Wake County’s non-state hospitals increased by 95 percent during the five-year period. Days of care use rates increased from 250.6 days per 10,000 population up to 408.4 days per 10,000 population. In 2011 the 80 licensed adult psychiatric beds provided 28,294 total days of care with 96.9 percent annual occupancy.*”

*UNC Hospitals expects continued growth in the Wake County population combined with increases in days of care. The proposed project will add adult inpatient psychiatric capacity to Wake County.”*

On pages 29-30, the applicant describes the lack of timely access to state psychiatric hospitals resulting in patients occupying emergency department (ED) beds for days waiting for an inpatient psychiatric bed. The applicant states that the average wait time is 2.5 to 3 days and several area hospitals indicate that psychiatric patients frequently stay in the ED for up to a week while waiting for an available inpatient psychiatric bed. In addition, the National Alliance for the Mentally Ill (NAMI) in Wake County reports that there is a range in delays in admissions to state hospitals. Based on 2010 data, that range included a low of 1.7 days’ delay at Cherry Hospital (Goldsboro) to a high of 4.0 days at Broughton Hospital (Morganton). Also as reported in the 2010 data, Wake County patients were admitted most often to Central Hospital (Butner) and Dix Hospital (Raleigh) with delayed admission of 3.5 days and 1.7 days, respectively. Dix Hospital has closed since the 2010 data was published. July – December 2011 data shows that Wake County psychiatric patients wait longer, an average of 4.5 days to gain admission to Central Hospital. The applicant states that the proposal to relocate 12 additional adult inpatient psychiatric beds to UNCH at WakeBrook, “will provide greater access ... and alleviate some of the ED overcrowding with psychiatric patients that are waiting for placement.”

On page 30, the applicant quotes the 2008 North Carolina Hospital Association Emergency Care Services Task Force Report to emphasize the enormity of the burden on hospitals of not being able to move psychiatric patients out of the ED in a timely manner. Also, on page 30, the applicant quotes a statement made by the Sheriff of Wake County about the large commitment of resources required for deputies to transport mental health patients. The applicant provides the NAMI report describing significant admissions delays for inpatient psychiatric care in Exhibit 14 and several letters of support from area hospitals in Exhibit 25.

### **Projected Utilization**

In Section III.1(b), pages 35-38, the applicant describes the need methodology used to project utilization. The need methodology is based on an analysis of historical data of Wake County ED visits and WakeBrook Crisis Assessment Services (WakeBrook CAS), expected referrals and admissions from both facilities; in addition to data regarding the previously approved 16 inpatient psychiatric beds for UNC Hospitals at WakeBrook (CON Project ID# J-10069-13). Those 16 beds were licensed on September 9, 2013.

Step one of the methodology involves calculations of the total ED visits for all Wake County hospitals for 2011 and 2012 to determine the percent annual growth. Step two calculates the expected number of adult psychiatric patients each year from those treated in emergency departments based on an analysis of actual ED data from the North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services (MH/DD/SAS). The applicant then determines its market share of the expected number of adult inpatient psychiatric patients based on the number of proposed beds as a percentage of total adult inpatient psychiatric inpatient beds in the county for UNCH at WakeBrook. The applicant

projects a 12 percent market share of admissions. The 28 beds at UNCH at WakeBrook would represent 19% of the existing, approved and proposed 145 adult inpatient psychiatric beds in Wake County. In Step three, the applicant calculates the expected number of patients admitted to UNCH at WakeBrook based on estimates of referrals provided by WakeBrook Crisis Assessment Services. In Exhibit 26, WakeBrook CAS projects 40 or more monthly referrals to UNCH at WakeBrook. The applicant acknowledges that in the first year of operation, not all referrals will be admissions. Step four combines the projected admissions from the Wake County EDs (Step 2) and referrals from WakeBrook Crisis Assessment Services (Step 3). In Step five, the applicant determines patient days, assuming that the average of length of stay will be six days. This average length of stay is based on the experience of the UNC psychiatrists involved in the planning and management of the project. In Step six, the applicant projects that the occupancy rate will exceed 90% in Project Year 1 and exceed 94% by Project Year 3.

On page 38, the applicant provides projected annual utilization of the 28 adult inpatient psychiatric beds, as shown below in the table:

<b>UNCH at WakeBrook Adult Inpatient Psychiatric Facility Projected Utilization</b>			
	<b>Project Year 1 (July 2015 – June 2016)</b>	<b>Project Year 2 (July 2016 – June 2017)</b>	<b>Project Year 3 (July 2017 – June 2018)</b>
Total Patients Admitted	1,546	1,575	1,607
Total # Patient Days	9,275	9,451	9,640
Average Length of Stay	6	6	6
# of Licensed Beds	28	28	28
% Occupancy	90.5%	92.5%	94.3%

In Section II, page 24, the applicant provides quarterly projected utilization for the three full fiscal years of the proposed project, which is shown below in the table.

<b>UNCH at WakeBrook Projected 4<sup>th</sup> Quarter Occupancy 2<sup>nd</sup> Operating Year/July 2016-June 2017</b>					
	<b>1<sup>st</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>4<sup>th</sup> Quarter</b>	<b>Total</b>



<b>Admissions</b>	397	397	388	393	1,575
<b>Patient Days</b>	2,382	2,382	2,330	2,356	9,451
<b>ALOS*</b>	6	6	6	6	6
<b># Licensed Beds</b>	28	28	28	28	28
<b>% Occupancy</b>	92.5%	92.5%	92.5%	91.5%	92.5%
<b>% Patients Discharged/Readmitted (within 30 days)</b>					8.2%

\*ALOS = average length of stay.

As shown in the table above, in the fourth quarter of the second full fiscal year of operation (8<sup>th</sup> quarter of operation following completion of the project), occupancy is projected to be 92.5%, which exceeds the 75% occupancy rate required by 10A NCAC 14C .2603(b). Projected utilization is based on reasonable, credible and supported assumptions. Therefore, the applicant adequately demonstrates the need to relocate 12 additional inpatient psychiatric beds from Broughton pursuant to Policy PSY-1 in the 2013 SMFP.

In summary, the applicant adequately identifies the population to be served and adequately demonstrates the need the population has for the 12 additional adult inpatient psychiatric beds. Therefore, the application is conforming to this criterion.

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

NA

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

C

In Section III.3, pages 42-43, the applicant discusses the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo - The applicant states that additional adult inpatient psychiatric services are needed in Wake County due to large numbers of psychiatric patients waiting for admission and the increase in demand that will occur due to increased growth in the county's population. The applicant states, "*The adult psychiatric inpatient days of care increased by 95% during the five year period. Days*

*of care use rates increased from 250.6 days per 10,000 population up to 408.4 days per 10,000 population. Based on this growth trend, the existing and approved capacity of adult inpatient psychiatric beds in Wake County will not be sufficient to serve the expected demand.”* Therefore, the applicant has determined that maintaining the status quo is not an effective alternative.

- 2) Develop the 12 Inpatient Psychiatric Beds at Alternate Locations - The applicant states that this is not an effective alternative since, *“The best interests of the patients are best served at the WakeBrook location because of its proximity to the patients most likely to need these services, its proximity to other social services provided by the county, and the unique range of treatment options at WakeBrook that will maximize the ability to transfer patients to the unit and level of care that best meets their needs.”* The applicant further states having considered the Rex campus. However, the two options that were examined for the Rex campus were not viable because Rex does not currently provide psychiatric services and is not operationally equipped to do so. The cost to do so would exceed the proposed new construction at WakeBrook. The option to develop a new facility at another location in Wake County would as the applicant states, *“be most costly – requiring the purchase of land, construction of a new facility, and replication of all provider and care services. Furthermore, none of the available commercial buildings in Wake County are constructed to meet the institutional standards that are required for hospital facilities.”*
  
- 3) Develop the Additional 12 Adult Inpatient Psychiatric Beds at UNC Hospitals at WakeBrook – The applicant states, *“UNC Hospitals at WakeBrook already has the infrastructure in place that includes existing psychiatric, substance abuse and medical expertise. ... The scope of services at UNC Hospitals at WakeBrook (acute unit, residential and substance units) will offer the patient an opportunity to be treated in the setting that is right for the patient, not just what is available. ... The UNC Hospitals at WakeBrook location is optimal because 90% of involuntarily committed (IVC) patients are served at WakeBrook Crisis or WakeMed. Therefore the 12 additional beds will be close to the main referral sources. This would also result in less transportation time for law enforcement officers. WakeBrook is also located much closer to Wake County Social Service resources, which many of the patients rely on. In addition, WakeBrook is located in proximity to shelters for the homeless and free outpatient medical and dental clinics.”*

The applicant states in Section III. 3, page 43, that this proposal to develop the additional 12 beds at WakeBrook adult inpatient psychiatric facility is the most effective choice for providing optimal access to the continuum of services, capitalizing use of existing infrastructure to contain costs and maximize physician and staff productivity.

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

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

1. **University of North Carolina Hospitals at Chapel Hill shall materially comply with all representations made in the certificate of need application and supplemental information provided. In those instances where representations conflict, University of North Carolina Hospitals at Chapel Hill shall materially comply with the last made representation.**
  2. **University of North Carolina Hospitals at Chapel Hill shall relocate no more than 12 inpatient psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 to University of North Carolina Hospitals at WakeBrook for a total licensed bed complement of no more than 28 adult inpatient psychiatric beds upon completion of this project and Project I.D. # J-10069-12.**
  3. **University of North Carolina Hospitals at Chapel Hill shall accept patients requiring involuntary admission for adult inpatient psychiatric services at University of North Carolina Hospitals at WakeBrook.**
  4. **University of North Carolina Hospitals at Chapel Hill shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.1(b), page 75, the applicant projects the total capital cost of the project to be \$3,827,498, as shown in the following table:

<b>UNC Hospitals at WakeBrook Proposed Total Capital Cost</b>	
<b>Item</b>	<b>Projected Cost</b>
Construction Contract	\$2,094,467
Site Costs	\$ 211,763
Fixed and Moveable Equipment	\$ 587,000
Furniture	\$ 175,600
Architect/Engineering Fees	\$ 278,788
Landscaping	\$ 17,005

Project Contingency	\$ 462,875
<b>Total</b>	<b>\$3,827,498</b>

In Section VIII.2, page 76, the applicant states that the capital cost will be funded from cash and cash equivalents. Exhibit 29 includes a June 2013 letter from the Executive Vice President and Chief Financial Officer for UNCH which states:

*“This letter is to confirm the availability of funding in excess of \$3,827,498 specifically for use for the capital costs associated with the development of the above referenced project.”*

In Section IX.1, page 80, the applicant states that there will be no start-up or initial operating costs since UNCH at WakeBrook will be certified as part of UNC Hospitals. As of September 9, 2013, the 16 beds authorized in Project I.D.# J-10069-12 were licensed. Thus, the facility is already operational.

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

On pages 92-100 of the application, the applicant provides pro forma financial statements for the first three operating years of the proposed project; including those for the entire UNCH system and for UNCH at WakeBrook. The following table illustrates projected net income (loss) for UNCH at WakeBrook in the first three operating years.

<b>UNCH at WakeBrook Adult Inpatient Psychiatric Unit</b>	<b>Project Year 1 7/01/2015 – 6/30/2016</b>	<b>Project Year 2 7/01/2016 – 6/30/2017</b>	<b>Project Year 3 7/01/2017 – 6/30/2018</b>
Projected # of days	9,273	9,450	9,642
Projected Average Charge (Gross Patient Revenue / Projected # of days)	\$2180	\$2,311	\$2,449
Gross Patient Revenue	\$20,213,137	\$21,834,896	\$23,615,238
Deductions from Gross Patient Revenue	\$ 5,457,547	\$ 5,895,422	\$ 6,376,114
Net Patient Revenue	\$ 4,134,089	\$ 4,213,001	\$ 4,298,588
Total Expenses	\$ 7,694,101	\$ 7,735,049	\$ 7,927,654
Net Income (Loss)	(\$3,560,012)	(\$3,522,048)	(\$3,629,066)

As shown in the table above, UNCH at WakeBrook is projected to lose money in each of the first three operating years. However, for the entire system, the applicant projects a positive net income in each of the first three operating years of the proposed project, as illustrated in the following table:

UNCH at Chapel Hill	<b>Project Year 1 7/01/2015 – 6/30/2016</b>	<b>Project Year 2 7/01/2016 – 6/30/2017</b>	<b>Project Year 3 7/01/2017 – 6/30/2018</b>
Gross Patient Revenue	\$3,334,913,000	\$3,538,913,000	\$3,755,673,000
Deductions from Gross Patient Revenue	\$1,902,349,000	\$2,006,325,000	\$2,114,376,000
Net Patient Revenue	\$1,432,564,000	\$1,532,588,000	\$1,641,297,000
Total Expenses	\$1,294,762,000	\$1,361,798,000	\$1,433,548,000
Net Income	\$ 164,542,000	\$ 197,530,000	\$ 234,489,000

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. All assumptions for the pro formas are provided in Section X.2, pages 82-84. See Criterion (3) for discussion regarding projected utilization 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 Policy PSY-1 in the 2013 SMFP the applicant proposes to relocate 12 adult inpatient psychiatric beds from Broughton Hospital. Upon completion of the proposed project, UNCH at WakeBrook would be licensed for 28 adult inpatient psychiatric beds. The 2013 SMFP indicates that there are only two licensed mental health hospitals in Wake County: Holly Hill Hospital (adult and child/adolescent inpatient beds) and Strategic Behavioral Center (child/adolescent inpatient beds only). There are no psychiatric beds in the acute care hospitals in Wake County. According to its 2013 License Renewal Application (LRA), Holly Hill Hospital is currently licensed for 80 adult inpatient psychiatric beds. However, Psychiatric Solutions, Inc., Holly Hill Hospital, LLC and Holly Hill Real Estate, LLC were approved to develop 53 additional adult beds at Holly Hill Hospital [Project I.D. #J-8442-09 for 16 beds and Project I.D. #J-8816-12 for 37 beds]. The 16 beds authorized by Project I.D. #J-8442-09 are licensed and are included in the total number of adult inpatient psychiatric beds in Holly Hill’s 2013 LRA. The 37 additional beds to be developed pursuant to Project I.D. #J-8816-12 are anticipated to be operational in CY 2014. In Section III.1(b), page 32, UNCH provides utilization and occupancy projections for Holly Hill Hospital, which were obtained from Holly Hill’s application. See the table below.

Holly Hill Psychiatric Hospital Project ID# J-8816-12 Utilization and Occupancy Projections						
	Most Recent 6 Months	Projections				
		CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
	Sept. 2011 to Feb. 2012	Jan. to Dec.	Jan. to Dec.	Jan. to Dec.	Jan. to Dec.	Jan. to Dec.
Adult Psychiatric Licensed Beds	64	80	80	117	117	117
Days of Care	12,569	27,299	29,164	30,622	32,154	33,761
ALOS	8.7	8.7	8.7	8.7	8.7	8.7
Occupancy %	107.6%	93.5%	99.9%	71.7%	75.3%	79.1%

In Section III.1(b), page 32, the applicant states,

*“UNC Hospitals expects that Holly Hills [sic] Hospital will likely achieve greater than 75 percent occupancy in CY 2014 for two [sic] reasons:*

- 1) The Holly Hill’s [sic] methodology and projections are based on a 5 percent annual growth rate which is far less than the facility’s historical growth rate of 13.7 percent.*
- 2) The utilization data reported in the Holly Hills [sic] 2013 License Renewal Application shows that days of care for the reporting period ending September 2012 exceed the CY 2012 and CY 2013 projections that were submitted in their CON proposal.*
- 3) For the five year period from 2006 to 2011, the total days of care in non-state hospitals for adult inpatient psychiatric patients increased from 14,506 days to 28,294 days for a 95 percent increase.*

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

Wake County is in the Alliance Behavioral Healthcare LME-MCO, but Wake County is its own separate LME-MCO. The applicant adequately demonstrates the need for 12 additional adult inpatient psychiatric beds in Wake County. See Criterion (3) for discussion regarding the need for additional adult inpatient psychiatric beds in Wake County 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 psychiatric beds in Wake County. 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 previously approved (Project ID# J-10069-12) and proposed staffing provided by the applicant in Section VII.2, page 65.

<b>UNCH at WakeBrook Approved and Proposed Adult Inpatient Psychiatric Facility Staffing</b>			
<b>Position</b>	<b>Approved FTEs Project ID# J-10069-12</b>	<b>Proposed Additional FTEs</b>	<b>Proposed Total FTEs</b>
Psychiatrist	3.63	1.50	5.13
Psychologist	.30	.10	.40
Medical Director	.38	.00	.38
Site Administrative Director	.25	.00	.25
Human Services Division Director	.25	.00	.25

Human Services Program Manager	.25	.00	.25
Human Services Supervisor II	1.00	.00	1.00
Human Services Senior Practitioner	2.00	1.50	3.50
Human Services Supervisor II	.25	.00	.25
Nursing Supervisor	1.00	.00	1.00
Case Manager	2.00	1.00	3.00
Nurse (Inpatient)	14.00	9.00	23.00
Nursing Assistant II	6.38	6.00	12.38
Clinical Services Technician	6.38	6.00	12.38
Health Unit Coordinator	3.00	1.00	4.00
Substance Abuse Counselor	1.00	.00	1.00
Substance Abuse Counselor	.25	.00	.25
Patient Services Manager III	1.00	.00	1.00
Medical Support Assistant III	.50	.00	.50
Business Officer	.25	.00	.25
Patient Financial Services Rep.	1.00	.00	1.00
Payor Specialist	.38	.00	.38
Patient Business Associate	1.25	.00	1.25
Clinical Authorization Specialist	.38	.00	.38
Utilization Manager	.25	.00	.25
Transportation Aide	.50	.00	.50
Claims Coding Specialist	.13	.00	.13
Medical Coder P/A	.13	.00	.13
Recreational Therapist	.50	.00	.50
Occupational Therapist	.50	.00	.50
Pharmacist	1.40	.00	1.40
Pharmacist Tech	1.00	.60	1.60
Laboratory Phlebotomist	1.00	.00	1.00
Security	5.00	1.50	6.50
Dietician	0.00	.25	.25
Dietary Services	Contract services		
Housekeeping Services	Contract services		
Total FTEs	57.45	29.45	86.90

In Section VII.3, page 66, the applicant states:

*“The proposed project at UNC Hospitals at WakeBrook will require additional personnel. Since the categories of positions already exist, UNC Hospitals’ standard recruitment initiatives will remain in force. The initiatives include advertising, recruitment visits and interviews, working with educational programs and working with other professionals in the appropriate fields. UNC Hospitals has a nursing recruitment office that maintains a national recruitment program and regularly recruits individuals with specific or unique training and skills.”*

Dr. Brian Sheitman, a psychiatrist certified by the American Board of Psychiatry and Neurology, has indicated a commitment to serve as Medical Director of UNCH at WakeBrook as indicated in his letter of commitment included in Exhibit 18. The applicant adequately demonstrates the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided. Therefore, the application is conforming to this criterion.



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

C

In Section II.3, pages 11-15, the applicant lists the ancillary and support services that will be provided by the applicant at UNCH at WakeBrook. These services are currently provided in support of existing beds at UNCH and will be extended to UNCH at WakeBrook. Exhibit 5 includes a letter from the Executive Vice President and Chief Operating Officer at UNCH confirming the availability of all necessary ancillary and support services. In Sections V.2, V.3, V.4 and V.5, pages 52-53, the applicant discusses how the proposed services will be coordinated with the existing health care system and the collaborative efforts in planning UNCH at WakeBrook. Referrals to the proposed facility are expected from Wake County hospitals and UNCH, in addition to several mental health practices and individual mental health practitioners, as listed on page 51 of the application. In addition, transfers and referrals are expected from numerous hospitals throughout the state, as listed on pages 52-53. The applicant states that UNC Hospitals has an active networking and outreach program and has received many letters of support from UNC physicians, community physicians and other hospitals. Letters of support are included in Exhibits 25 and 26. The applicant adequately demonstrates that the necessary ancillary and support services will be made available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA

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

NA

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

C

In Section XI.4, pages 87-90, the applicant describes the plan to construct 5,492 square feet of new space to accommodate the 12 additional beds and support space. The applicant proposes a total of 17,611 square feet for UNCH at WakeBrook upon project completion. Exhibit 28 contains a certified cost estimate from an architectural firm projecting that the construction cost and associated costs will be \$3,827,498; which is consistent with the capital cost reported in Section VIII, page 75. Various line drawings of the proposed project are contained in Exhibit 7. In Section III.2, pages 39-40 and Section XI.7, pages 89-90, the applicant describes the Energy Efficiency and Sustainability Plan to be incorporated into the project.

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

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

C

In Section VI.11, page 60, the applicant provides the payor mix for all licensed acute care beds and licensed inpatient psychiatric beds at UNCH at Chapel Hill from July

1, 2011 to June 30, 2012 (the last full Fiscal Year that data was available), as depicted below in the table.

<b>UNCH at Chapel Hill Payor Mix Patient Days as Percent of Total Patient Days FY 2012</b>		
<b>Payor Category</b>	<b>Licensed Acute Care Beds</b>	<b>Licensed Inpatient Psychiatric Beds</b>
Self Pay/ Indigent/ Charity	5.4%	10.4%
Medicare/ Medicare Managed Care	30.1%	25.5%
Medicaid	31.0%	27.3%
Commercial Insurance	1.1%	1.4%
Managed Care	26.0%	32.7%
Other:Tricare & Department of Corrections	6.5%	2.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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

	Total # of Medicaid Eligibles as % of Total Population June 2010	Total # of Medicaid Eligibles Age 21 and older as % of Total Population June 2010	% Uninsured CY 2008-2009 (Estimate by Cecil G. Sheps Center)
Wake County	10.0%	3.3%	18.4%
Statewide	17.0%	6.7%	19.7%

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

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of those eligible persons aged 21 and older who actually received services was 31.6%. The percentage for Wake County was 33.6%. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually

receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

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

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

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

C

In Section VI.10, page 60, the applicant states, “*UNC Hospitals has long since satisfied its ‘free care’ obligation under the Hill-Burton Act.*” Moreover, the applicant states, “*UNC Hospitals provides care to all persons based only on their need for care and without regard to minority status, handicap/disability.*”

The applicant states in Section VI.2, page 54, that the facility is designed in accordance with all state and federal guidelines for handicapped accessibility and that it incorporates all applicable provisions of the Americans with Disabilities Act. The applicant provides utilization percentages for services by various patient groups for FY 2012 as follows:

	<b>Low Income*</b>	<b>Racial and Ethnic Minorities</b>	<b>Women</b>	<b>Elderly</b>	<b>Other Underserved</b>
<b>Total UNC Hospitals</b>	17.4%	35.6%	59.1%	22.3%	10.3%
<b>Inpatient Psychiatric Beds</b>	25.4%	28.1%	55.1%	8.8%	15.7%

\*Low income based on Federal poverty guidelines outlined in Patient Financial Assistance Policy in Exhibit 22.

In addition, the applicant states in Section VI.4(a), page 55, that “*No citizen of North Carolina is refused non-elective treatment for services at UNC Hospitals because of his/her inability to pay.*” Exhibit 22 includes copies of UNCH’s Financial Assistance Policy. Moreover, Exhibit 23 contains a document, Assuring Access at UNC Health Care that addresses the policies of UNCH in ensuring access to its services by indigent and other medically underserved persons.

In Section VI.9(a), page 59, the applicant states that UNC Hospitals has not been notified of any civil rights complaints against the hospital or any of its facilities or services within the past five years.

The application is conforming to this criterion.

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

C

In Section VI.2, page 54, the applicant states,

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

In Section VI.12(b), page 61, the applicant provides the projected payor mix for the 28 adult inpatient psychiatric beds at UNCH at WakeBrook, as illustrated in the following table:

<b>UNCH at WakeBrook Projected Payor Mix Proposed Adult Inpatient Psychiatric Beds Second Full FY (7/1/2016– 6/30/2017)</b>	
Self Pay/Indigent/Charity	27.0%
Medicare/Medicare Managed Care	4.0%
Medicaid	35.0%
Commercial Insurance and Managed Care	4.0%
Other (IPRS)	30.0%
<b>Total</b>	<b>100.0%</b>

The applicant states that the projected payor mix is based on patient referral data from WakeBrook Crisis Assessment Services and from extensive discussions with both UNC psychiatrists and Wake County hospital officials. The applicant states, “*The majority of patients at UNC Hospitals at WakeBrook are expected to be low income*

*patients.*” The applicant demonstrates that medically underserved populations would have adequate access to the proposed adult inpatient psychiatric facility.

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

C

In Section VI.8, page 56, the applicant states, “*patients seen at UNC Hospitals are either self-referred, referred by their personal physicians or by a member of the medical staff at UNC Hospitals.*” In Section VI.8(b), pages 57-59, the applicant states that UNC Health Care System’s outreach health care services and UNC Hospital’s network of primary and specialty physician practices provide referrals. In addition, the applicant lists over three dozen hospitals and over two dozen community-based practice locations from which referrals are received.

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

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

C

In Section V.1(a), page 50, the applicant states that health professional training for the University of North Carolina General Psychiatry Residency Program is provided at UNCH’s inpatient psychiatric units. Numerous other mental health residency, fellowship, and other professional training programs also utilize UNCH as a training site. The applicant states that these educational experiences will continue into the future. The applicant cites Exhibit 21 as containing documentation about training programs for clinical and other health disciplines. The applicant adequately demonstrates that UNCH at WakeBrook will accommodate the clinical needs of health professional training programs. 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

Pursuant to Policy PSY-1 in the 2013 SMFP the applicant proposes to relocate 12 adult inpatient psychiatric beds from Broughton Hospital. Upon completion of the proposed project, UNCH at WakeBrook would be licensed for 28 adult inpatient psychiatric beds. The 2013 SMFP indicates that there are only two licensed mental health hospitals in Wake County: Holly Hill Hospital (adult and child/adolescent inpatient beds) and Strategic Behavioral Center (child/adolescent inpatient beds only). There are no psychiatric beds in the acute care hospitals in Wake County. According to its 2013 License Renewal Application (LRA), Holly Hill Hospital is currently licensed for 80 adult inpatient psychiatric beds. However, Psychiatric Solutions, Inc., Holly Hill Hospital, LLC and Holly Hill Real Estate, LLC were approved to develop 53 additional adult beds at Holly Hill Hospital [Project I.D. #J-8442-09 for 16 beds and Project I.D. #J-8816-12 for 37 beds]. The 16 beds authorized by Project I.D. #J-8442-09 are licensed and are included in the total number of adult inpatient psychiatric beds in Holly Hill's 2013 LRA. The 37 additional beds to be developed pursuant to Project I.D. #J-8816-12 are anticipated to be operational in CY 2014.

In Section V.6, page 53, the applicant discusses how the proposed project will enhance competition in the service area. The applicant states, "*The unavailability of sufficient adult inpatient psychiatric bed capacity in Wake County causes great personal and financial hardship for patients and families. Hospital emergency departments are not capable of providing comprehensive psychiatric care for patients that have a genuine need for crisis services, detoxification and inpatient psychiatric care.*" In addition, the applicant states competition will be enhanced in regard to patient satisfaction, emergency department wait times, and employee and physician satisfaction. See also Sections II, III, V, VI and VII. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates how any enhanced competition will have a positive impact upon the cost-effectiveness, quality and access to the proposed inpatient adult psychiatric services in Wake County.

The following conclusions are based on a review of the information in those sections:

- The applicant adequately demonstrates the need to relocate 12 adult inpatient psychiatric beds to UNCH at WakeBrook and that it is a cost-effective alternative;
- The applicant adequately demonstrates that it will continue to provide quality services; and
- The applicant adequately demonstrates that it will continue to provide adequate access to medically underserved populations.

The application is conforming to this criterion.

(19) Repealed effective July 1, 1987.

- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

In Section II.11, pages 18-19, the applicant states that UNCH is certified for Medicare and Medicaid participation and is accredited by The Joint Commission. The applicant also cites meeting the standards of the Occupational and Health Safety Administration (OSHA), North Carolina Hospital Licensure Standards, National Fire Protection Association (NFPA), the North Carolina Board of Nursing, Accreditation Council for Graduate Medical Education (ACGME) and the College of American Pathologists. In addition, according to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision for which any sanctions or penalties related to quality of care were imposed by the State on the hospital. Therefore, the application is conforming to this criterion.

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

C

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

#### **10A NCAC 14C .2602 INFORMATION REQUIRED OF APPLICANT**

- (a) *An applicant proposing to establish new psychiatric beds shall project resident origin by percentage by county of residence. All assumptions and the methodology for projecting occupancy shall be stated.*
- C- In Section III.5(a), page 45, the applicant provides projected patient origin by county of residence for the adult inpatient psychiatric facility for the first two years of operation following completion of the project. The applicant provides the assumptions and methodology used to project patient origin in Section III.5(b), page 45.
- (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, page 48, the applicant provides the projected occupancy level for the entire facility for the first eight calendar quarters following completion of the proposed project, including the average length of stay. The assumptions and methodology used are provided in Section III, pages 35-38.
- (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 IV, page 48, the applicant provides the projected readmissions for UNCH WakeBrook. The applicant anticipates the percentage of readmissions in a 30 day period to be 8.2%.
- (d) *An applicant proposing to establish new psychiatric beds shall describe the general treatment plan that is anticipated to be used by the facility and the support services to be provided, including provisions that will be made to obtain services for patients with a dual diagnosis of psychiatric and chemical dependency problems.*
- C- In Section II.4, page 15, the applicant states that UNCH at WakeBrook will provide comprehensive treatment for patients with a dual diagnosis of psychiatric and chemical dependency problems. The applicant provides the general treatment plan in Exhibit 10.
- (e) *The applicant shall document the attempts made to establish working relationships with the health care providers and others that are anticipated to refer clients to the proposed psychiatric beds.*
- C- UNCH has existing referral relationships with many hospitals and physicians throughout the state. The applicant states on page 21, “*Over the past eighteen months, UNC Hospitals has worked collaboratively with healthcare and mental health providers to plan and implement the proposed project. ... it is UNC Hospitals’ operating policy to work actively with any agency, program, service, or provider that may want to refer patients to the Hospitals, its medical staff and its programs.*” In addition, in Exhibits 25 and 26, the applicant provides letters of support from local hospitals willing to develop working relationships and refer patients to the psychiatric facility and from several mental health providers.
- (f) *The applicant shall provide copies of any current or proposed contracts or agreements or letters of intent to develop contracts or agreements for the provision of any services to the clients served in the psychiatric facility.*
- C- The applicant provides a proposed letter of intent between Wake County Human Services, Alliance Behavioral Healthcare and UNC Healthcare System in Exhibit 12; a Memorandum of Understanding between the Department of Health and Human Services and UNC Hospitals in Exhibit 13, and the Lease Agreement between Wake County and UNC Hospitals for the WakeBrook facilities in Exhibit 3.

- (g) *The applicant shall document that the following items are currently available or will be made available following completion of the project:*
- (1) *admission criteria for clinical admissions to the facility or unit;*
- C- The applicant provides admission criteria in Exhibit 6 of the application.
- (2) *emergency screening services for the targeted population which shall include services for handling emergencies on a 24-hour basis or through formalized transfer agreements;*
- C- The applicant states on page 22 that psychiatric nurses will be utilized to assess and screen patients on a 24-hour basis and that psychiatrists will be on-site for a portion of the 24-hour day. UNCH at WakeBrook will utilize telemedicine to communicate with UNCH at Chapel Hill and care will be coordinated with WakeBrook Crisis Assessment Services. Exhibit 10 includes documentation of the availability of 24-hour emergency screening.
- (3) *client evaluation procedures, including preliminary evaluation and establishment of an individual treatment plan;*
- C- In Section II, page 22, the applicant states that client evaluation and individual treatment plans will be utilized consistent with the policies of UNCH. The applicant provides a copy of the plan in Exhibit 10, which includes client evaluation procedures.
- (4) *procedures for referral and follow-up of clients to necessary outside services;*
- C- In Section II, page 22, the applicant states that referrals, discharge planning and follow-up services will be utilized consistent with the policies of UNCH. The applicant provides a copy of the Plan of Care in Exhibit 10, which includes procedures for referral and follow-up.
- (5) *procedures for involvement of family in counseling process;*
- C- In Section II, page 24, the applicant states that UNCH at WakeBrook is committed to providing family counseling. The applicant provides a copy of the Plan of Care in Exhibit 10, which includes involving family in the counseling process.
- (6) *comprehensive services which shall include individual, group and family therapy; medication therapy; and activities therapy including recreation;*
- C- Exhibit 10 contains documentation that comprehensive services, including individual, group and family therapy; medication therapy; and activities therapy including recreation will be provided.
- (7) *educational components if the application is for child or adolescent beds;*
- NA- The proposed project is for adult inpatient psychiatric beds only.
- (8) *provision of an aftercare plan; and*

- C- In Section II, page 23, the applicant states that UNCH at WakeBrook will provide aftercare plans consistent with procedures at UNCH. The applicant provides a copy of the Plan of Care in Exhibit 10, which includes provision of an aftercare plan.  
  
*(9) quality assurance/utilization review plan.*
- C- The applicant provides copies of the quality assurance/utilization review and performance improvement plans in Exhibit 8.  
  
*(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- As of the date of this decision, UNCH at WakeBrook is an existing facility located in space leased from Wake County. The lease period is 10 years with an option for renewal. The building is located at 111 Sunny Brook Road in Raleigh and is the primary site for the proposed project. There is no secondary site. The applicant provides documentation regarding the terms of the proposed lease in Exhibit 3.  
  
*(i) An applicant proposing to establish new psychiatric beds shall provide documentation to show that the services will be provided in a physical environment that conforms with the requirements in 10A NCAC 27G .0300.*
- C- In Exhibit 15, the applicant provides a June 2013 letter signed by the President of UNC Hospitals stating that UNCH at WakeBrook will be in compliance with physical plant rules. As of September 9, 2013, the facility is licensed.  
  
*(j) An applicant proposing to establish new adult or child/adolescent psychiatric beds shall provide:*
  - (1) documentation that adult or child/adolescent inpatient psychiatric beds designated for involuntary admissions in the licensed hospitals that serve the proposed mental health planning area were utilized at less than 70 percent for facilities with 20 or more beds, less than 65 percent for facilities with 10 to 19 beds, and less than 60 percent for facilities with one to nine beds in the most recent 12 month period prior to submittal of the application; or*
  - (2) a written commitment that the applicant will accept involuntary admissions and will meet the requirements of 10A NCAC 26C .0103 for designation of the facility, in which the new psychiatric beds will be located, for the custody and treatment of involuntary clients, pursuant to G.S. 122C-252.*

- C- In Exhibit 15, the applicant provides a June 2013 letter signed by the President of UNC Hospitals stating that UNCH at WakeBrook will accept involuntary admissions 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- The previously approved 16 inpatient adult psychiatric beds at UNCH at WakeBrook were licensed on September 9, 2013, only three weeks prior to this decision, and after the application was submitted.
- (b) *An applicant proposing to establish new psychiatric beds shall not be approved unless occupancy is projected to be 75% for the total number of licensed psychiatric beds proposed to be operated in the facility no later than the fourth quarter of the second operating year following completion of the project.*
- C- In Section II, page 24, the applicant provides projected quarterly utilization data through the second full fiscal year. This includes the number of licensed adult inpatient psychiatric beds, the total number of patients discharged, the average length of stay and the percentage of discharged patients readmitted at a later date. The projected occupancy rate for the fourth quarter of the second operating year is 91.5%. See Section III, pages 35-38, for the assumptions and methodology used to project utilization. The projections are based on reasonable, credible and supported assumptions. See Criterion (3) for discussion which is incorporated hereby as if set forth fully herein.

## **.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, page 65, the applicant provides a staffing table which lists the disciplines. In Section VII, page 68, the applicant provides a table depicting the staffing pattern for three shifts covering seven days per 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- Exhibit 17 contains a listing of 203 physicians (200 active) who are licensed to practice psychiatry in the primary service area of Wake County. The applicant's proposed project does not include serving children or adolescents.
- (c) *A proposal to provide additional psychiatric beds in an existing facility shall indicate the number of psychiatrists who have privileges and practice at the facility proposing expansion. Proposals specifically for or including child or adolescent psychiatric beds must provide documentation to show the availability of a psychiatrist specializing in the treatment of children or adolescents.*
- C- UNCH at WakeBrook was licensed on September 9, 2013 to provide inpatient psychiatric services. In Section II, page 25, the applicant states that the facility will utilize the services of the faculty of the UNC School of Medicine Department of Psychiatry. In Section VII, page 63 the applicant states that the staffing includes 3.0 FTE psychiatrist positions Monday-Friday and 1.0 FTE psychiatrist position on weekends. In Section VII, page 70, the applicant states that there are 71 board-certified and four non board-certified psychiatrists in the UNC School of Medicine Department of Psychiatry. The proposed project includes no child or adolescent inpatient psychiatric beds.
- (d) *A proposal to provide new or expanded psychiatric beds must demonstrate that it will be able to retain the services of a psychiatrist who is eligible to be certified or is certified by the American Board of Psychiatry and Neurology to serve as medical director of the facility or department chairman of the unit of a general hospital.*
- C- Exhibit 18 contains a letter from Dr. Brian Sheitman, board-certified in psychiatry, which states that he is willing to serve as the Medical Director of the adult inpatient psychiatric facility.
- (e) *A proposal to provide new or expanded psychiatric beds must provide documentation to show the availability of staff to serve involuntary admissions, if applicable.*
- C- In Section VII.4, page 67, the applicant states, "*The staffing levels ... at UNC Hospitals at WakeBrook have been developed based on the applicant's experience and staffing levels at UNC Hospitals' adult inpatient psychiatric unit in Chapel Hill, which serves involuntary admissions.*" In addition, the applicant states in Section II, page 25, that projected staffing includes "*staff positions with direct responsibilities for serving involuntary admissions.*" Projected staffing is provided in Section VII.2, page 65, and Section VII.5, page 68.
- (f) *A proposal to provide new or expanded psychiatric beds must describe the procedures which have been developed to admit and treat patients not referred by private physicians.*
- C- Exhibit 6 contains a copy of UNCH's admission policy which includes five primary admission criteria. None of the criteria require a referral by a private physician.
- (g) *A proposal to provide new or expanded psychiatric beds shall indicate the availability of training or continuing education opportunities for the professional staff.*

- C- Exhibit 19 describes the training and/or continuing education programs that are available for nursing staff in the Department of Psychiatry. In addition, in Section II, page 26, the applicant states that resources and opportunities are available for professional staff through UNC Hospitals School of Medicine, including “*advanced faculty training, research, clinical trials, presentation of papers, and attendance of local and national conferences.*”