ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

DECISION DATE: November 4, 2014

PROJECT ANALYST: Tanya S. Rupp
INTERIM CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: G-10298-14 / Fellowship Hall, Inc. / Develop 39 adult chemical dependency treatment beds pursuant to the need determination in the 2014 State Medical Facilities Plan and delicense 18 existing supervised living beds / Guilford

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 2014 State Medical Facilities Plan (SMFP) identified a need for 39 new adult chemical dependency treatment (substance abuse) beds in the Central Mental Health Planning Region, which includes Guilford County. Fellowship Hall, Inc. located at 5140 Dunstan Road in Greensboro, Guilford County, is an existing hospital developed in 1971 dedicated to treating adults with substance abuse disorders. In Section I.12, page 12, the applicant states Fellowship Hall was the first North Carolina hospital to be licensed as a Substance Abuse Specialty Hospital. The hospital received JCAHO accreditation in 1974 and has remained accredited by The Joint Commission. Fellowship Hall is a member of the Addiction Professionals of North Carolina and the National Association of Addiction Treatment Providers.

Fellowship Hall is currently licensed for 60 inpatient substance abuse beds pursuant to 10A NCAC 27G .6000 ("6000 beds"). Six of the 60 beds are inpatient medical detoxification beds and 54 are inpatient intensive treatment beds. The facility is also licensed for 18 supervised living beds pursuant to 10A NCAC 27G .5600E. Supervised living beds are not regulated by the certificate of need law. The applicant proposes to develop 39 residential

treatment substance abuse beds pursuant to 10A NCAC 27G .3400 by converting 17 of the 18 supervised living beds to residential treatment beds and developing 21 additional beds. The applicant proposes to add no more than 39 substance abuse beds in the Central Mental Health Planning Region. The application is conforming to the need determination in the 2014 SMFP.

In addition, there are three policies in the 2014 SMFP that are applicable to this review: Policy MH1 *Linkages between Treatment Settings,* Policy GEN-3 *Basic Principles,* and Policy GEN-4 *Energy Efficiency and Sustainability for Health Service Facilities*. Each of these policies is discussed below.

Policy MH1: Linkages between Treatment Settings

This policy states:

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

In Section III.2, page 63, the applicant states:

> *"Fellowship Hall is an existing mental health/substance abuse provider located in Greensboro, Guilford County. It is in the Central Region, Mental Health Planning area. There are four Local Management Entity- Managed Area Organizations in the Central Region. Guilford County is in the Sandhills Center Local Management Entity geographic region. Fellowship Hall CEO, Brad Marino, MPH, FACHE has discussed the proposed project with management staff at Sandhills."*

In Exhibit 8, the applicant provides a copy of a March 11, 2014 letter signed by the CEO of Sandhills Center, a Local Management Entity/Managed Care Organization (LME/MCO) for the Central Region, which confirms the applicant's contact. Additionally, the applicant provides three more letters in Exhibit 8 which document the applicant's contact with other LME/MCOs. One letter dated April 2, 2014, signed by the Chief Medical Officer of Cardinal Innovations, states:

> *"Although this facility will not be located within Cardinal Innovations' catchment, Cardinal Innovations is providing … a letter of support as the proximity of the facility to our operational territory may provide support residents* [sic] *of our catchment, as well as those of another LMC/MCO."*

The applicant adequately documents that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.

Policy GEN-3: Basic Principles

This policy states:

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

Promote Safety and Quality

In Section III.2, page 64, the applicant states:

> *"FH has in place a strong Performance Quality Improvement and Patient Safety Plan. The proposed building will be built to meet the North Carolina State Building Code, the National Fire Protection Association 101 Life Safety Code, the NC Rules for Mental Health, Developmental; Disabilities and Substance Abuse Facilities and Services, 1OA Subchapter 27G, ANSI Standards for Handicapped Access, and other physical requirements of federal, state, and local bodies. These codes and rules help assure patient, family and employee safety within the building."*

In addition, in Exhibit 14 the applicant provides copies of the job descriptions for Fellowship Hall staff members, which include qualifications to ensure quality care and safety for both the patients and staff members. In Exhibit 18 the applicant provides a copy of Fellowship Hall's *Disaster Response Manual,* which includes guidelines for safety and the provision of quality care.

The applicant adequately demonstrates it will promote safety and quality in the delivery of its services.

Equitable Access

In Section III.2, page 64, the applicant states:

> *"Fellowship Hall is a private not for profit provider of services for individuals with substance abuse disorders. It is one of eleven facilities with Chemical Dependency Beds in Central Region. FH has the largest number of Chemical Dependency beds in the Central Region and is the longest continuously operating facility in the Region. All persons who are referred to Fellowship Hall are screened using the global Admission Screening criteria .... Those persons meeting the screening criteria are*

> *deemed eligible for admission. Fellowship Hall does not discriminate based on age, race, national or ethnic origin, disability, sex, sexual orientation or income. Its services are not covered by Medicare and Medicaid or other public funds. All guests are asked to be financially responsible for the cost of their treatment. Acceptance of this responsibility is a part of recovery, FH has an existing Charity policy using funds from the Financial Assistance Fund Endowment. It also provides administrative discounts to guests who have committed to treatment and whose financial plans have failed. In 2013 Fellowship Hall deducted $235,825 or 2.66 percent from gross revenue due to charity and administrative discounts."*

In Exhibit 38, the applicant provides a copy of the applicant's financial policies, which include its charity care policies.

In addition, in Section VI.3, on page 97, the applicant states:

> *"All guests are asked to pay a minimum $500 nonrefundable deposit at the time of admission. Those guests who are unable to pay are referred to management for additional financial screening. They may be deemed eligible for the charity care policy, which offers multiple payment plans as well as charity care provided by the Financial Assistance Fund Endowment. If any guest provides payment to secure admission and is unable to pay their outstanding balances, and does not qualify for charity care, the balance may be written as an administrative discount. … If any guest provides payment to secure admission and is unable to pay their outstanding balances, and does not qualify for charity care or an administrative discount, their bad debt balance will be written off at the end of one year.*

The applicant adequately demonstrates that this project will promote equitable access to medically underserved groups.

Maximize Healthcare Value

In Section III.2, page 64, the applicant states:

> "*FH proposes to offer Residential Treatment, a less costly but proven therapeutic model, for individuals with Substance Abuse Disorders. The proposed Residential Treatment lodges will offer competitive costs to patients and insurers. The proposed project will provide an additional level of service than the existing lodges on the Fellowship Hall campus.*
>
> *The new Residential units are being built on the existing campus. Therefore infrastructure for the new beds is already in place. The project's administration and management team are already in place. The Maintenance, housekeeping and dietary services will be compatible with existing buildings in order to minimize training and maintenance costs.*

> *Staffing patterns at FH maximize costly professional labor by sharing services across a comprehensive continuum of care."*

The applicant adequately demonstrates that the proposed project will promote safety and quality, promote equitable access to medically underserved groups, and maximize healthcare value. The discussion regarding access found in Criterion (13) is incorporated herein by reference. Therefore, the application is consistent with this policy.

<u>Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*</u>

This policy 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 improving 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 for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."*

The proposed capital cost for this project is $4.6 million; therefore, Policy GEN-4 is applicable to this application. According to the applicant the facility is in compliance with applicable codes regarding energy efficiency.

In Section III.2, page 65, the applicant states:

> *"The applicant understands that it will be required to develop a plan to assure improved water conservation. The plan will not adversely affect patient or resident health, safety or infection control. The Water Conservation plan for the project will conform to or exceed water conservation standards incorporated in the latest editions of the NC State Building Codes. The project will use sink faucets and shower heads with water saving aerators."*

In Section X.7, page 137, the applicant states:

> *"Fellowship Hall's main facility is already built and operational. Utility systems are in place and will not change significantly as a result of this project. The hospital facility was built in 1971 and was constructed according to the highest standards at that time.*
>
> *Energy efficient strategies for the proposed project include the use of continuous insulation where rigid insulation is place outside the wood stud wall to prevent thermal break and provide a tighter and more energy efficient thermal envelope. R-values meet or exceed the new NC Energy Code."*

The applicant adequately demonstrates its proposal includes a plan to assure continued energy efficiency and water conservation.

In summary, the applicant adequately demonstrates that its proposal to develop 39 substance abuse beds is consistent with the need determination in the 2014 SMFP. In addition, the application is consistent with Policies MH-1, GEN-3 and GEN-4. 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 2014 SMFP identified a need for 39 new adult substance abuse beds in the Central Mental Health Planning Region, which includes Guilford County. Fellowship Hall, Inc., located at 5140 Dunstan Road in Greensboro, Guilford County, is an existing hospital developed in 1971 dedicated to treating adults with substance abuse disorders. Fellowship Hall is currently licensed for 6 inpatient medical detox beds, 54 inpatient hospital intensive treatment beds, and 18 supervised living beds, for a facility total of 78 beds. In this application, the applicant proposes to develop 39 residential treatment substance abuse beds pursuant to the need identified in the 2014 SMFP. Upon project completion, Fellowship Hall would be licensed for 100 beds: 54 inpatient hospital intensive treatment beds, 6 medical detox beds, 39 residential treatment beds, and one supervised living bed, as shown in the following table:

NUMBER OF BEDS	DESIGNATION	LICENSURE RULE	REGULATED BY CON?
54	Inpatient hospital treatment beds	10A NCAC 27G .6000	Yes

6	Detoxification beds	10A NCAC 27G .6000	No
39	Residential treatment beds	10A NCAC 27G .3400	Yes
1	Supervised living bed	10A NCAC 27G .5600E	No
100 Total facility Beds			

Population to be Served

Fellowship Hall is an existing hospital located in Greensboro. In Section III.4(a), page 66, the applicant states:

> *"Existing patient origin is a reasonable determinant of service area. The proposed service area for this project is the entire state of North Carolina. ... Fellowship Hall guests travel from counties throughout the state as well as from other states. Substance abuse treatment is not available in every county. In addition, persons with substance abuse disorders frequently choose to seek treatment outside of the area where they live."*

The applicant provides historical and projected patient origin by patient county of residence in Section III.6, pages 67 – 72. The applicant adequately identifies the population it proposes to serve.

Analysis of Need

In Section III.1, page 45, the applicant states:

> *"The need for the proposed facility is supported by:*
>
> - *Need calculations in the 2014 State Medical Facilities Plan for the Central Mental Health Planning Region (page 384, Table 1 6C).*
> - *Trends in Use of Chemical Dependency Treatment beds, statewide and national*
> - *Growth of the population in the state and in the Central Mental Health Planning Region*
> - *Fellowship Hall's history and commitment to a broad range of chemical dependency treatment services for adults*
> - *Proven effectiveness of active residential treatment in beds licensed at the level of 10A NCAC 27G .3400 and 10A NCAC .6000 for treatment and rehabilitation of persons with substance abuse diseases*
> - *Need for the diversity of services offered by inclusion of a .3400 option at Fellowship Hall*
> - *Fellowship Hall's need for additional space for support and treatment in the men's and women's' lodges*
> - *Fellowship Hall's need for additional Halfway Houses and accommodations for guests, family and visitors."*

On page 46, the applicant states that, according to research, the use of chemical dependency treatment beds in North Carolina is increasing at a greater rate than general population growth in the state. Therefore, the applicant states, the need projected in the 2014 SMFP is actually lower than what the applicant's research indicates. Citing excerpts from the preface to Principles [sic] Drug Addiction Treatment, published in 2012 by the National Council on Drug Abuse, the applicant states that a continuum of long-term treatment tailored to persons who have addiction disorders is critical to the long term success of the person's recovery. The applicant quotes two of the principles outlined in the publication, as follows:

> *"'Principle 5. Remaining in treatment for an adequate period of time is critical. The appropriate duration for an individual depends on the type and degree of the patient's problems and needs. Research indicates that most addicted individuals need at least 3 months in treatment to significantly reduce or stop their drug use and that the best outcomes occur with longer durations of treatment. Recovery from drug addiction is a long-term process and frequently requires multiple episodes of treatment. As with other chronic illnesses, relapses to drug abuse can occur and should signal a need for treatment to be reinstated or adjusted. Because individuals often leave treatment prematurely, programs should include strategies to engage and keep patients in treatment.*
>
> *Principle 8. An individual's treatment and services plan must be assessed continually and modified as necessary to ensure that it meets his or her changing needs. A patient may require varying combinations of services and treatment components during the course of treatment and recovery. In addition to counseling or psychotherapy, a patient may require medication, medical services, family therapy, parenting instruction, vocational rehabilitation, and/or social and legal services. For many patients, a continuing care approach provides the best results, with the treatment intensity varying according to a person's changing needs.'"*

In addition, on page 47, the applicant discusses an article published in the August 2011 *Health Affairs*, with regard to the impact of recent federal legislation and affordability of substance abuse treatment for those who need it. The applicant states:

> "*According to an August 2011 "Health Affairs" article "The Looming Expansion and Transformation of Public Substance Abuse Treatment Under the Affordable Act" about 40 percent of nonprofit substance abuse facilities do not accept either private insurance or Medicaid or both, and about half do not have any contracts with managed care plans. However, the article suggests that health care reform, including changes provided in the Affordable Care Act of 2010 extend mental health and substance abuse coverage and encourage more integration of substance and* [sic] *treatment with primary care. The article focuses primarily on patients funded by public insurance such as Medicaid. However, the trends apply to other populations as well. In the short term Fellowship Hall will not benefit from Medicaid expended* [sic] *coverage because it is unable to accept Medicaid as it is currently licensed. However, with its expertize and expanded facilities Fellowship Hall will be well positioned for the future."*

The applicant also states:

> *"Magellan Health is one of the largest behavioral health management companies in the United States. According to its website they serve over 33 million lives. They do this through contracts with the military, commercial insurance companies, state Medicaid agencies and employees. In their 2014 Medical Necessity Criteria they recognize eight levels of substance abuse care:*
>
> 1. *Hospitalization*
> 2. *Sub-acute hospitalization*
> 3. *23 Hour Observation*
> 4. *Residential Treatment*
> 5. *Supervised Living*
> 6. *Partial Hospitalization*
> 7. *Intensive Outpatient Treatment*
> 8. *Outpatient Treatment*
>
> *…*
>
> *Fellowship Hall is adding Residential Treatment to its continuation of 24-hour supervised therapy."*

In Section III.1, page 48, the applicant states:

> *"Fellowship Hall was licensed in 1971. It has been continuously operating since that time. Recent expansion includes the addition of hospital beds in 2007, the addition of two Supervised Living lodges in 2012 and one additional lodge in 2014. Additional land has been acquired since the purchase of the original site in 1970. The campus is now more than 120 acres. Fellowship Hall has made a significant investment in facilities, land and staff. … The projected direct care staff … demonstrates the recognition of the need for a professional staff to implement the individual treatment plans. … Current services include hospitalization, supervised living, partial hospitalization, inpatient detoxification, intensive outpatient, extended treatment, recreational therapy, continuing treatment, family therapy and education. Fellowship Hall has a long history of commitment to quality substance abuse treatment programs and facilities."*

Also on page 48, the applicant describes the difference between the level of treatment provided in beds that are licensed pursuant to 10A NCAC 27G .3400 (**"3400 beds"**) and 10A NCAC 27G .5600 (**"5600 beds"**). The applicant states:

> *"Magellan endorses care at the least intensive, least restrictive setting. Fellowship Hall currently has 18 beds that provide 24 hour a day Supervised Living. These beds have a limited capacity to help transition from hospital to outpatient. They lack the space and the services to support active treatment. At the present time guests may*

have to remain in a hospital setting, or go to a less effective, less restrictive residence than their condition warrants. The current project, 39 beds licensed as .3400 Treatment/Rehabilitation provides more flexibility. These beds will support active treatment. They will meet the needs of some patients whose insurance companies insist on 24 hour care that is less intensive than a hospital bed. They provide a structured living environment. The .3400 beds provide more flexibility than the .5600 beds. Patients who need a lesser level of care may stay in .3400 beds. However, patients in the current .5600 beds must be moved to the hospital if they need more services and structure. The .3400 beds will provide an alternative to the hospital."

On page 49, the applicant states the beds that will be "vacated" in the lodges will be used as halfway house outpatient treatment beds, which do not require certificate of need approval.

In Section III.1, pages 49 – 63, the applicant provides a ten-step methodology to substantiate its need for the proposed addition of 39 adult substance abuse beds. In Step 1, page 49, the applicant reproduces Table 16C on page 384 of the 2014 SMFP. Step 2, page 50, consists of an excerpt from Table 16B on page 383 of the 2014 SMFP. The remaining steps are discussed below.

Step 3: Define Fellowship Hall's service area based on historical patient origin

On page 52, the applicant states:

"According to past Hospital License Renewal applications, Fellowship Hall has received on average approximately 50 percent of its patients from the counties in the 2014 SMFP Central Region over the past five years. Approximately 30% come from other regions in North Carolina and approximately 20 percent come from out of state. Therefore, the applicant defines the service area as the state of North Carolina and other states. ... Please note that the definition of Central Region has changed prior to the 2014 SMFP and subsequent to the printing of the 2014 SMFP. The applicant considers Central Region as the 25 counties reflected in the 2014 SMFP."

Step 4: Further define Fellowship Hall's patient origin

In Section III.1, page 52, the applicant combines the patient origin data by county from its Hospital License Renewal Applications (LRAs) with the LME-MCO and Central Mental Health Planning Region patient information. The applicant provides tables on pages 53 – 56 that illustrate the percentage of patient days of care in each county it serves. The tables further identify the particular LMC-MCO and Central Mental Health Planning Region in which each of those counties lie, and the percentage of patient days per county and region for the time period 2009 – 2013.

Step 5: Calculate Fellowship Hall's patient origin by mental health region

In Section III.1, page 57, the applicant uses the county-specific utilization data calculated in Step 4 to determine the utilization in each mental health planning region from which Fellowship Hall has treated patients. See the following table, from page 57:

Fellowship Hall Days of Care (DOC) in Mental Health Planning Regions per 2014 SMFP

REGION	2009		2010		2011		2012		2013	
	DOC	%	DOC	%	DOC	%	DOC	%	DOC	%
Eastern	2,166	11.8%	2,366	12.9%	3,175	17.0%	2,417	12.9%	2,529	15.3%
Central	9,865	53.6%	9,259	50.5%	9,411	50.3%	9,906	52.7%	8,226	49.8%
Western	3,313	18.0%	3,168	17.3%	3,034	16.2%	3,018	16.1%	2,614	15.8%
Out of state	3,052	16.6%	3,538	19.3%	3,080	16.5%	3,440	18.3%	3,153	19.1%
Total	18,396	100.0%	18,331	100.0%	18,700	100.0%	18,781	100.0%	16,522	100.0%

Since Fellowship Hall is located in the Central Mental Health Planning Region, between 50% and 52% of Fellowship Hall's historical patient population is from that region. The data in the table also shows that Fellowship Hall treats just about the same number of out of state patients (between 16.6% and 19%) as it does from the Eastern and Western Mental Health Planning Regions.

Step 6: 2012 use rates for chemical dependency treatment facilities by LME-CMO

In Section III.1, pages 58 – 59, the applicant calculated the 2012 substance abuse use rates by LME-CMO region in the whole state. See the following table, from page 58 of the application:

REGION	TOTAL DOC	ADULT DOC	POP.	ADULT DOC / 1000 POP.	FH DOC	FH DOC/ 1000 POP.
Coastal Care System	12,141	11,048	636,343	17.4	599	0.9
Cumberland	3,336	3,036	330,754	9.2	96	0.3
E. Carolina Behavioral Health	6,036	5,493	611,563	9.0	860	1.4
Eastpointe	7,042	6,408	827,164	7.7	623	0.8
Johnston	4,776	4,346	174,839	24.9	239	1.4
Eastern Region Total	**33,331**	**30,331**	**2,580,663**	**11.8**	**2,417**	**0.9**

Cardinal Innovations 2	7,642	6,954	659,867	10.5	1,627	2.5
CenterPoint Human Services	10,563	9,612	539,120	17.8	1,436	2.7
Durham	2,896	2,635	282,511	9.3	813	2.9
Sandhills Center / Guilford	36,678	33,377	1,066,700	31.3	3,446	3.2
Wake	16,444	14,964	945,603	15.8	2,584	2.7
Central Region Total	**74,223**	**67,543**	**3,493,801**	**19.3**	**9,906**	**2.8**
Cardinal Innovations 1	16,667	15,167	753,566	20.1	838	1.1
MeckLINK Behavioral Healthcare	21,147	19,244	963,165	20.0	742	0.8
Partners Behavioral Health Management	14,675	13,354	906,030	14.7	838	0.9
Smoky Mountain Center 1	2,847	2,591	247,475	10.5	120	0.5
Smoky Mountain Center 2	6,242	5,680	291,133	19.5	288	1.0
Western Highlands Network	6,922	6,299	529,396	11.9	192	0.4
Western Region Total	**68,500**	**62,335**	**3,690,765**	**16.9**	**3,018**	**0.8**
North Carolina Total	**176,054**	**160,209**	**9,765,229**	**15 4**	**15,341**	**1.6**

*The applicant assumes that nine percent of the days of care are considered to be child/adolescent days of care, consistent with the data in the 2014 SMFP.

The data in the table shows that, in 2012, Fellowship Hall provided approximately 15% of the total substance abuse days of care for the Central Mental Health Planning Region in 2012 [9,906 FH DOC / 67,543 central region total DOC = 0.1467]. The data also shows that Fellowship Hall provided approximately 10% of the total adult substance abuse days of care in the entire state for that same time [15,341 FH adult DOC / 160,209 NC total adult DOC = 0.096].

Step 7: Examine population projections for North Carolina

In Section III.1, page 59, the applicant calculated a Compound Annual Growth Rate (CAGR) for the general population of both the state as a whole and the Central Mental Health Planning Region. Utilizing data from the North Carolina State Office of Budget and Management (NC OSBM), the applicant determined that the population in the state of North Carolina is projected to grow by a 1.1% CAGR from 2012 – 2019. During that same time period, the population of the Central Mental Health Planning Region is projected to grow by 1.3%. On page 59, the applicant states the following counties are included in its calculation, consistent with the SMFP: Alamance, Anson, Caswell, Chatham, Davie, Durham, Franklin, Forsyth, Granville, Guilford, Halifax, Harnett, Hoke, Lee, Montgomery, Moore, Orange, Person, Randolph, Richmond, Rockingham, Stokes, Vance, Wake, and Warren.

There are 100 counties in the state of North Carolina. The Central Mental Health Planning Region encompasses 25, or one-fourth of the total counties in the state. According to the population projections published by the NC OSBM, one-fourth of the counties in the state will account for nearly one-half of the projected population growth in the state for the seven year period from 2012 to 2019. The Central Mental Health Planning Region is projected to grow by 339,689 people during that time [3,830,658 – 3,490,969 = 339,689]. Likewise, the state as a whole is projected to grow by 744,709 people [10,509,938 – 9,765,229 = 744,709]. Thus, the Central Mental Health Planning Region's population growth of 339,689 people makes up 45.6% of the total population growth during that time [339,689 / 744,709 = 0.456,

or 45.6% of the total growth during that seven year period], as shown in following table, from page 59 of the application:

Total Population Projection in North Carolina and Central Mental Health Planning Region, 2012 to 2019

REGION	2012	2013	2014	2015	2016	2017	2018	2019	CAGR
Central	3,490,969	3,540,328	3,588,824	3,636,938	3,685,632	3,733,780	3,782,554	3,830,658	1.3%
NC	9,765,229	9,872,976	9,978,483	10,083,817	10,191,187	10,296,482	10,403,945	10,509,938	1.1%

Step 8: Historical trends in adult chemical dependency days of care from 2005 - 2012

In Section III.1, page 60, the applicant assumes that nine percent of the chemical dependency days of care are child / adolescent days of care in North Carolina, which is consistent with the SMFP methodology. Therefore, after subtracting nine percent of the total days of care for 2005 - 2012, the applicant determined that the CAGR in adult substance abuse days of care during that time was 4.4%.

Step 9: Using 4.4% growth, project adult days of care

In Section III.1, page 61, the applicant projects the following adult days of care for substance abuse treatment at Fellowship Hall through 2019, by beginning with the 2012 days of care and growing that number by 4.4% annually:

Fellowship Hall Projected Adult Days of Care 2012 - 1019

2012	2013	2014	2015	2016	2017	2018	2019
160,209	167,199	174,494	182,108	190,053	198,346	207,000	216,031

Step 10: Project adult chemical dependency treatment beds

In Section III.1, page 62, the applicant projects the number of adult substance abuse beds that will be needed in the state from 2013 - 2019. Using the projected days of care calculated in Step 9 above, combined with the existing number of adult substance abuse beds reported in the 2014 SMFP, the applicant states:

> *"In accordance with the State Medical Facilities Plan methodology, enough chemical dependency treatment beds are needed so that projected days of care occupy 85% of beds needed. Applying this to the projected days of care in Table III.9 above shows a surplus of 27 beds in 2013. However, that surplus rapidly declines and by 2013* [sic] *North Carolina will need 130 more beds than are in the current inventory."*

The applicant documents that the need for adult substance abuse beds is projected to increase at a faster rate than the general population of the state. Thus, the need for additional beds as reflected in the 2014 SMFP is further demonstrated by the applicant's calculations.

Projected Utilization at Fellowship Hall

In Section IV.1, page 73, the applicant documents that the utilization rate for the existing beds during the nine months immediately preceding the submittal of this application was

only 82.8%. The applicant states the utilization rate would have been greater, but the winter months of December, January, and February of 2013 included particularly harsh weather conditions, which kept potential patients out of the facility and at home. The applicant reported utilization in the months following February 2013; particularly, the first nine months of 2014. The utilization rate was above 85%, as shown in the following table:

Fellowship Hall Utilization January 2014 – September 2014

MONTH	DAYS IN MONTH	DAYS OF CARE	# OF BEDS	UTILIZATION RATE
January 2014	31	1,280	54	76.46%
February 2014	28	1,063	54	70.30%
March 2014	31	1,506	54	89.96%
April 2014	30	1,391	54	85.86%
May 2014	31	1,441	54	86.08%
June 2014	30	1,457	54	89.94%
July 2014	31	1,488	54	88.89%
August 2014	31	1,503	54	89.78%
September 2014	30	1,432	54	88.40%
Total	**273**	**12,561**	**54**	**85.21%**

In Section IV.1(b), pages 75 – 89, the applicant provides the 12-step methodology it used to project utilization for the first three years following project completion, which are described below.

Step 1: Examine historical occupancy of existing intensive treatment beds

On page 75, the applicant provides monthly historical utilization from October 2012 to April 2014. The following table shows the quarterly utilization:

	Q1 2013 (92 DAYS)	Q2 2013 (90 DAYS)	Q3 2013 (91 DAYS)	Q4 2013 (92 DAYS)	2013 TOTAL	Q1 2014 (92 DAYS)	Q2 2014 (90 DAYS)	APRIL 2014	2014 TOTAL TO DATE
Days of Care	4,123	3,999	4,278	4,122	**16,522**	4,235	3,849	1,391	**9,475**
# Beds	54	54	54	54	**54**	54	54	54	**54**
% Utilization*	82.9%	82.3%	88.0%	82.9%	**83.8%**	85.2%	79.2	85.8%	**82.8%**

*Percent utilization is calculated as follows: (total days of care / total number of days) / number of beds

On page 75, the applicant states:

> *"The data from FY 2013 and partial data for FY 2014 shows a steady occupancy of the existing beds licensed under 10A NCAC 27G .6000 with a slight seasonal decrease over the holiday months of December and January .... Additionally, February 2014 had an uncharacteristically low occupancy due to environmental conditions...."*

Step 2: Calculate the average daily census (ADC) for existing intensive treatment beds

On page 76, the applicant states:

"The average daily census was calculated by dividing total patients for FY 2013 and the partial FY 2014 from Step 1 … by the total number of days in this time period. To account for seasonality this calculation was then repeated for months excluding December, January and February 2014, and for only December and January."

Step 3: Project occupancy of the "6000 beds" using the ADC calculated in Step 2

On page 76, the applicant states:

"For the intensive treatment beds in the months February – November, the average daily census was projected to be 48 which is 1.2 patients higher than the historical average daily census of 46.8.

Assumption: There will be continued seasonal variation in utilization.

For the months of December and January, the average daily census was projected to be 42 which is 1.2 patients higher than the historical average daily census of 40.8."

On pages 77 – 78, the applicant projects an average daily census for all three project years, as shown in the table below:

BED	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR
Detox	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Intensive Treatment	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	42.0	42.0	48.0	48.0
Total	**52.6**	**52.6**	**52.6**	**52.6**	**52.6**	**52.6**	**52.6**	**52.6**	**46.6**	**46.6**	**52.6**	**52.6**

On page 78, the applicant states:

"It is reasonable to expect an increase in average daily census of the intensive treatment beds licensed under 10A NCAC 27G .6000 due to improvements in Fellowship Hall's programs including the recent hiring of a new Director of Business Development, the inclusion of advertising in the annual budget, the improved nonhospital accommodations and the expanding outreach to substance abuse treatment providers. National trends and population growth will also contribute to this increase in average daily census."

Pursuant to 10A NCAC 14C .2503(2), an applicant applying for additional intensive treatment beds in a facility with 16 or more existing intensive treatment beds must show that *"utilization in the nine months immediately preceding the submittal of the application was 85%."* In Section II.1, page 36, the applicant states utilization was *"unusually low"* for the winter months of January and February 2014 because of unusually harsh weather. The applicant states that *"the weather and its consequences"* impacted 14.2% of the days in the month of February 2014. In Exhibit 49, the applicant provides a report generated by the North Carolina Department of Transportation advising people in the Guilford County area not to travel because of unsafe conditions.

The analyst examined Fellowship Hall's License Renewal Applications (LRAs) for the years 2011, 2012, and 2013. The following table illustrates days of care for the entire facility, the intensive treatment beds and the detox beds:

Bed Type	**2011 LRA**			**2012 LRA**			**2013 LRA**		
	DOC	**% Util.**	**ADC**	**DOC**	**% Util.**	**ADC**	**DOC**	**% Util.**	**ADC**
Intensive Treatment (54)	16,556	84.0%	45.4	16,787	85.2%	46.0	16,780	85.1%	46.0
Detox (6)	1,775	81.1%	4.9	1,913	87.4%	5.2	2,001	91.4%	5.5
Total Facility (60)	18,331	83.7%	50.2	18,700	85.4%	51.2	18,781	85.8%	51.5

As shown in the table above, utilization has been increasing in both the intensive treatment beds and the facility as a whole since FY 2010 [each LRA reports data from the previous FY; therefore, 2011 LRA reports FY 2010 data, 2012 LRA reports 2011 data and 2013 LRA reports FY 2012 data]. In addition, the utilization rate for the period January 2014 – September 2014 was 85.2%.

Step 4: Examine the historical use of the beds currently licensed under 10A NCAC 27G .5600E, which will be licensed under 10A NCAC 27G .3400 upon project completion

Step 5: Project interim ADC of the 3400 beds following conversion from 5600E

On page 79, the applicant states:

> *"The men's beds currently licensed under 10A NCAC 27G .5600E and located in Zanders Place and Zanders Place II are projected to increase in occupancy until the new 24 bed men's lodge is completed in July 2015. Existing and potential patients will be screened for admission and scheduled to begin treatment when the Lodge is operational. ... The women's beds in Hazel's House licensed under 10A NCAC 27G .5600E are also expected to increase in occupancy until the new 16 bed women's lodge opens in April 2016. ..."*

Step 6: Project interim ADC of the 3400 beds in the men's lodge

On page 80, the applicant projects the following utilization of the 3400 beds in the men's lodge, until the women's lodge is complete:

Men's Beds	**July 2015**	**Aug 2015**	**Sept 2015**	**Oct 2015**	**Nov 2015**	**Dec 2015**	**Jan 2016**	**Feb 2016**	**Mar 2016**
24 Beds	12	13	14	14	14	12	12	14	16

On page 81, the applicant states:

> *"It is reasonable to expect that the number of patients in the beds licensed under 10A NCAC 27G .5600 will increase from 12 to 16 over the nine months from July 2015 to*

April 2016. The Director of Business Development has a professional therapy as well as a business background. She has an aggressive plan to increase admissions."

In addition the applicant states it has included advertising in its budget and, combined with the projected growth in the area of the general population as well as the population of substance abusers, support the applicant's assumptions.

Step 7 and Step 8: Project ADC of the 3400 beds

On pages 81 – 83, the applicant projects the ADC of the 3400 beds in the men's and women's lodges during the first three project years. In the *Schedule* section of the application, the applicant states the first operating year after project completion, Project Year One, is projected to be April 1, 2016 – March 30, 2017. Likewise, Project Years Two and Three are projected to be April 1, 2017 – March 30, 2018 and April 1, 2018 – March 30, 2019, respectively. In its assumptions, the applicant restates its proposal to increase marketing efforts in order to reach the increasing number of substance abuse patients projected for the service area. In addition, on page 81, the applicant states:

"FH has included advertising it the annual budget…. There is expanding outreach to substance abuse treatment providers. Population continues to grow. The economy is improving and more people will seek assistance with their substance abuse disorders."

The applicant states the improving economy will allow self-pay patients to seek treatment, which will likewise contribute to increased utilization.

The applicant provides three separate tables to illustrate monthly ADC projections for the first three project years. In Project Year One, the applicant projects the following ADC for the 39 residential treatment substance abuse beds:

Projected ADC of 3400 Beds in Men's and Women's Lodges Project Year One

BED DESIGNATION AND (#)	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUG 2016	SEPT 2016	OCT 2016	NOV 2016	DEC 2016	JAN 2017	FEB 2017	MARCH 2017
Men's (24)	16	17	17	18	18	18	18	17	15	15	17	18
Women's (15)	7	8	8	8	9	9	9	9	8	8	9	9
Total (39)	23	25	25	26	27	27	27	26	23	23	26	27

On page 82, the applicant projects the following ADC in the two lodges in the second and third project years:

Projected ADC of 3400 Beds in Men's and Women's Lodges Project Year Two

BED	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH

DESIGNATION AND (#)	2017	2017	2017	2017	2017	2017	2017	2017	2017	2018	2018	2018
Men's (24)	18	19	19	20	20	20	20	19	17	17	19	20
Women's (15)	9	10	10	10	11	11	11	11	10	10	11	11
Total (39)	27	29	29	30	31	31	31	30	27	27	30	31

Projected ADC of 3400 Beds in Men's and Women's Lodges Project Year Three

BED DESIGNATION AND (#)	APRIL 2018	MAY 2018	JUNE 2018	JULY 2018	AUG 2018	SEPT 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MARCH 2019
Men's (24)	20	21	21	22	22	22	22	21	19	19	21	22
Women's (15)	11	12	12	12	13	13	13	13	12	12	13	13
Total (39)	31	33	33	34	35	35	35	34	31	31	34	35

Step 9: Sum the ADC for each bed designation for the three years following project completion

On pages 83 – 84, the applicant provides tables, reproduced below, to illustrate the combined ADC for all intensive treatment beds (3400 and 6000) following project completion:

Projected ADC of All Intensive Treatment Beds in Project Year One

BED DESIGNATION AND (#)	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUG 2016	SEPT 2016	OCT 2016	NOV 2016	DEC 2016	JAN 2017	FEB 2017	MARCH 2017
6000 beds (54)	48	48	48	48	48	48	48	48	42	42	48	48
3400 beds (39)	23	25	25	26	27	27	27	26	23	23	26	27
Total (93)	71	73	73	74	75	75	75	74	65	65	74	75

Projected ADC of All Intensive Treatment Beds in Project Year Two

BED DESIGNATION AND (#)	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUG 2017	SEPT 2017	OCT 2017	NOV 2017	DEC 2017	JAN 2018	FEB 2018	MARCH 2018
6000 beds (54)	48	48	48	48	48	48	48	48	42	42	48	48
3400 beds (39)	27	29	29	30	31	31	31	30	27	27	30	31
Total (93)	75	77	77	78	79	79	79	78	69	69	78	79

Projected ADC of All Intensive Treatment Beds in Project Year Three

BED DESIGNATION AND (#)	APRIL 2018	MAY 2018	JUNE 2018	JULY 2018	AUG 2018	SEPT 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MARCH 2019
6000 beds (54)	48	48	48	48	48	48	48	48	42	42	48	48
3400 beds (39)	31	33	33	34	35	35	35	34	31	31	34	35

Total (93)	79	81	81	82	83	83	83	82	73	73	82	83

Step 10: Convert ADC to days of care

On pages 84 – 86, the applicant projects days of care (DOC) for the facility for the three years following project completion, by multiplying the ADC for each month by the number of days in the month. The applicant calculates projected DOC for the intensive treatment beds and for the detox beds; however, the following tables only illustrate intensive treatment days.

Projected DOC of All Intensive Treatment Beds in Project Year One

	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUG 2016	SEPT 2016	OCT 2016	NOV 2016	DEC 2016	JAN 2017	FEB 2017	MARCH 2017
Days in month	30	31	30	31	31	30	31	30	31	31	28	31
ADC	71	73	73	74	75	75	75	74	65	65	74	75
Intensive treatment bed DOC	2,130	2,263	2,190	2,294	2,325	2,250	2,325	2,220	2,015	2,015	2,072	2,325

Projected DOC of All Intensive Treatment Beds in Project Year Two

	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUG 2016	SEPT 2016	OCT 2016	NOV 2016	DEC 2016	JAN 2017	FEB 2017	MARCH 2017
Days in month	30	31	30	31	31	30	31	30	31	31	28	31
ADC	75	77	77	78	79	79	79	78	69	69	78	79
Intensive treatment bed DOC	2,250	2,387	2,310	2,418	2,449	2,370	2,449	2,340	2,139	2,139	2,184	2,449

Projected DOC of All Intensive Treatment Beds in Project Year Three

	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016	AUG 2016	SEPT 2016	OCT 2016	NOV 2016	DEC 2016	JAN 2017	FEB 2017	MARCH 2017
Days in month	30	31	30	31	31	30	31	30	31	31	28	31
ADC	79	81	81	82	83	83	83	82	73	73	82	83
Intensive treatment bed DOC	2,370	2,511	2,430	2,542	2,573	2,490	2,573	2,460	2,263	2,263	2,296	2,573

Steps 11 and 12: Add monthly DOC to obtain quarterly results; determine quarterly utilization rate for the three years following project completion

On pages 87 – 89, the applicant converts the monthly days of care calculated in the previous steps to quarterly DOC, and then calculates a projected occupancy rate for the intensive treatment beds in the facility for the three years following project completion. See the following table, from page 89 of the application:

Intensive Treatment Beds (3400 and 6000) Projected Occupancy

	PROJECT YEAR 1				PROJECT YEAR 2				PROJECT YEAR 3			
	QTR. 1	QTR. 2	QTR. 3	QTR. 4	QTR. 1	QTR. 2	QTR. 3	QTR. 4	QTR. 1	QTR. 2	QTR. 3	QTR. 4
Days in the quarter	91	92	92	90	91	92	92	90	91	92	92	90
Number of beds	93	93	93	93	93	93	93	93	93	93	93	93
Days of care	6,583	6,869	6,560	6,412	6,947	7,237	6,928	6,772	7,311	7,605	7,296	7,132

Percent utilization	78%	80%	77%	77%	82%	85%	81%	81%	86%	89%	85%	85%

Projected utilization is based on reasonable and adequately supported assumptions.

Access to Services

In Section IV.1, page 96, and Section VI, page 100, the applicant adequately explains that the existing facility cannot be certified for either Medicare or Medicaid. On page 97, the applicant describes the financial arrangements that will continue to be made for those patients who are not able to pay for services. In addition, in the pro forma section of the application, page 160, the applicant documents that in FY 2013, Fellowship Hall provided $223,241 in charity care and "administrative discounts" (internal financial assistance policy for low-income persons). The applicant adequately demonstrates the extent to which underserved groups are likely to have access to the proposed services.

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need the population to be served has for the project and the extent to which all residents of the area, in particular underserved groups, are likely to have access to the proposed services. 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.

CA

In Section III.4(b), page 66, the applicant states:

> *"Fellowship Hall is proposing additional services on its existing campus at 5140 Dunston Road Greensboro, NC. This is the most cost effective way to meet the needs of the residents of the proposed service area. There will be no additional land costs. The existing administrative and management staff will be able to support this additional service. The experienced mental health and substance abuse professionals are in place. When additional providers are needed, it will be easier to recruit to an existing peer group than to a new program. Patient origin for the patients of the existing facility demonstrates that Fellowship Hall is serving residents from a broad geographic area. Greensboro is readily accessible by car and airplane. According to facility records fifty percent of non-detox patient days came from 23 counties in the*

Central Region, 19% came from out of state, and 31% came from other North Carolina counties."

The application is conforming to all other applicable statutory and regulatory review criteria. An application that cannot be approved cannot be an effective alternative.

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

1. **Fellowship Hall, Inc. shall materially comply with all representations made in the certificate of need application.**

2. **Fellowship Hall, Inc. shall develop 39 adult substance abuse treatment beds, for a total of no more than 54 inpatient hospital intensive treatment beds, 6 medical detox beds, 39 residential substance abuse treatment beds, and one supervised living bed, upon project completion.**

3. **Fellowship Hall, Inc. shall take the necessary steps to delicense 18 supervised living beds.**

4. **Fellowship Hall, 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 122, the applicant projects the total capital cost of the project will be $4,621,851, which includes $630,468 in site costs, $3,358,795 in construction costs, $330,000 in equipment and furniture costs, and $632,588 in consultant fees, contingency, and other financing costs. In Section VIII.2, page 124, the applicant states that the entire capital cost of the project will be financed with the accumulated reserves of Fellowship Hall. In Exhibit 4, the applicant provides a May 26, 2014 letter signed by the Treasurer, Chairman of the Board, and Director of Finance for Fellowship Hall, which states:

"This letter is to serve as documentation and support of the funding of Fellowship Hall's expansion project. The governing board and management of Fellowship; hall have approved construction of 2 facilities with an addition of 40 additional beds. The estimated cost of this expansion is $4.8 million dollars [sic]. *Although the board, management and staff of Fellowship Hall are planning a capital campaign to raise a*

portion of the fund [sic] *needed, Fellowship Hall has sufficient reserves to support the facilities being built in the timeframe we desire. Fellowship Hall currently has $5.3 million dollars* [sic] *available to fund this expansion, from the board designated Capital Fund ($1,114,854) and the A.W. McAlister, Jr. Endowment Fund ($4,259,502). These funds are currently held in our investment portfolio at Wells Fargo."*

In Exhibit 4, the applicant provides a document obtained from Wells Fargo which documents the existence of the investment portfolio. As of April 31, 2014, the value of the portfolio was $13,931,850.

In Exhibit 43, the applicant provides a copy of its audited financial statements which show $1.1 million in cash and $22.9 million in net assets (total assets minus total liabilities) as of September 30, 2013.

In Section IX, pages 129 – 130, the applicant states that no start-up costs are projected for this project since the facility is currently operational. In addition, on page 129, the applicant projects no interruption in the provision of existing services as the new beds are developed.

In Form C, the applicant projects that revenues will exceed expenses in the first two project years, as shown in the following table:

	PROJECT YEAR 1	PROJECT YEAR 2
Projected Revenues	$9,877,574	$10,553,927
Projected Expenses	$9,682,294	$10,004,552
Net Profit (Loss)	$ 195,280	$ 549,375

In summary, the applicant adequately demonstrates the availability of sufficient funds for the capital needs of the proposal. Furthermore, the applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. 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

The 2014 SMFP identifies a need for 39 additional substance abuse beds in the Central Mental Health Planning Region, which includes Guilford County. Fellowship Hall is an existing facility located in Guilford County, licensed for 54 "6000 beds," 6 medical detoxification beds and 18 "5600E beds." Fellowship Hall is one of three substance abuse facilities located in Guilford County. The other facilities include: 1) Daymark Guilford County Treatment Facility which has 40 substance abuse beds licensed as "3400 beds;" and 2) High Point Regional Hospital which has 4 substance abuse beds.

There are other facilities in the Central Mental Health Planning Region that offer substance abuse services. The total number of existing adult substance abuse beds is 194. The population of the Central Region in 2012 was 3.5 million people. In Section III.1, pages 60 – 62, the applicant states, based on information obtained from the NC OSBM and its own internal data, that the population of persons who will need substance abuse services is projected to increase at a faster rate than the general population in the State and in the Central Mental Health Planning Region.

The applicant adequately demonstrates an unmet need for additional adult substance abuse beds, and adequately demonstrates that projected utilization is based on reasonable and adequately supported assumption. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicant adequately demonstrates the project will not result in the unnecessary duplication of existing or approved substance abuse 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

In Section VII.6, page 113, the applicant provides projected staffing in the second project year, as shown in the table below:

POSITION	# FULL-TIME EQUIVALENT (FTE) POSITIONS
Drug/Substance Abuse Worker	10.6
RN	12.76
LPN Nursing	2.40
LPN Therapy Assistant	5.44
Certified Substance Abuse Counselor	13.62
Health Care Technician	1.40
Social Worker	5.30
Medical Records Technician	1.00
Medical Director/Physician	2.00
Dietary Staff	9.00
Recreation Therapist	0.50
Housekeeping Staff	4.00
Other	2.50
Maintenance	4.25

Administrator	1.00
Secretary	1.00
Bookkeeper	1.00
Other*	16.70
Total	**94.27**

*The applicant states that this "Other" includes Marketing/Outreach, Billing/Accounting, Admission, Human Resources and Mid-Level Nursing

In Section VII.3, pages 109 – 110, the applicant describes how projected staffing is consistent with the requirements promulgated in 10A NCAC 27G .3402(a)(1) and .3402(a)(2).

In Section V.3, page 92, the applicant identifies Dr. Jeremy Harrison as the "*full time*" medical director of Fellowship Hall, and Dr. Jerome Davis as the "*part time*" medical director. Exhibit 36 contains letters from both physicians confirming their willingness to serve in the stated capacity.

Adequate costs for the health manpower and management positions proposed by the applicant in Section VII are budgeted in the pro forma financial statements. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services. 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.1(f), page 28, the applicant identifies the services to be provided at Fellowship Hall, an existing facility which currently provides all necessary ancillary and support services. In Exhibit 27, the applicant provides a June 4, 2014 letter signed by the President and CEO of Fellowship Hall confirming that the necessary ancillary and support services will continue to be provided.

In Exhibit 8, the applicant provides a copy of a March 11, 2014 letter signed by the CEO of Sandhills Center, an LME/MCO for the Central Region, which confirms the applicant's contact. Additionally, the applicant provides three more letters in Exhibit 8 which document the applicant's contact with other LME/MCOs. One letter dated April 2, 2014, signed by the Chief Medical Officer of Cardinal Innovations, states:

> *"Although this facility will not be located within Cardinal Innovations' catchment, Cardinal Innovations is providing ... a letter of support as the proximity of the facility to our operational territory may provide support residents* [sic] *of our catchment, as well as those of another LMC/MCO."*

Exhibit 19 contains letters of support for the proposal from: 1) Side by Side Counseling, Inc.; 2) UNC Charlotte Student Health Center; 3) North Carolina Pharmacist Recovery Network; 4) North Carolina Physicians Health Program; 5) Guilford County Department of Public Health; 6) Cone Behavioral Health; 7) Duke Clinical Research Institute; and 8) WakeMed.

The applicant adequately demonstrates the availability of the necessary ancillary and support services and that the proposed services would 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

In Section XI.6, page 147, the applicant states it proposes to add 16,926 square feet to the existing 38,913 square foot facility, for a total of 55,841 square feet. However, the proposed construction is for the two additional lodges that will be constructed to house male and female patients following discharge from the substance abuse beds. The lodges will be

licensed pursuant to 10A NCAC 27G .5601(c)(5), and are not subject to certificate of need review. Under separate cover, the applicant requested confirmation that construction of those lodges are not subject to review. The 39 substance abuse beds which will be licensed pursuant to 10A NCAC 27G .3400 require no new construction. Therefore, this criterion is not applicable to this review.

(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.1, page 96, the applicant states:

"Medicare has no special category for Inpatient Substance Abuse treatment. Medicare covers substance abuse inpatient treatment only in a general hospital or in a specialty psychiatric hospital, if substance abuse is a secondary diagnosis to a psychiatric diagnosis. …

Fellowship Hall is considered an IMD [Institution for Mental Disease]*, Medicaid will pay for medical model detoxification services for adults only in an acute care hospital. Medicaid cannot pay for adult inpatient care of any sort in an Institution for Mental Disease (IMD). According to Federal law substance abuse inpatient facilities with more than 16 beds are categorized as IMD. With Fellowship Hall's current licensure as an Inpatient Hospital for Treatment of Individuals who have Mental Illness or Substance Abuse Disorders, (10A NCAC 27G .6000).* [sic]

For these reasons, Fellowship Hall, Inc. is neither a Medicaid nor a Medicare provider. …"

In the remainder of Section VI, on pages 97 – 105, the applicant describes its policies regarding charity care and admission and treatment of individuals who are underinsured or uninsured, in addition those individuals in traditionally underserved groups. On page 104, the applicant provides the current payor mix at its existing facility, as shown in the following table:

PAYOR CATEGORY	FY 2013 DAYS AS % OF	FY 2013 REVENUE AS %

	Total Utilization	of total Revenue
Medicaid	0.0%	0.0%
County Assistance	0.0%	0.0%
Medicare	0.0%	0.0%
Commercial Insurance	6.3%	37.6%
VA	0.0%	0.0%
BCBS	82.3%	44.3%
Self Pay/Indigent	11.4%	18.1%
Total	**100.0%**	**100.0%**

The Division of Medical Assistance (DMA) maintains a website which provides the number of persons eligible for Medicaid in North Carolina, and estimates the percentage of uninsured people for each county. The following table illustrates those percentages for the proposed service area and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Guilford	15.3%	6.0%	19.5%
Statewide	16.5%	6.7%	19.7%

*More current data, particularly with regard to the estimated uninsured percentages, was not available.

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 rates as older segments of the population, particularly the adult substance abuse services offered by Fellowship Hall.

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 was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. 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 well as data sorted 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, handicapped, minorities or women utilizing health services.

The applicant demonstrates that medically underserved populations currently have adequate access to substance abuse services at Fellowship Hall. 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

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.2, page 98, the applicant states it will admit and provide services to all patients who meet the diagnostic criteria for Substance Abuse Related Disorder as defined by the current American Psychiatric Association Diagnostic and Statistical Manual of Mental Disorders. The applicant states:

> *"All guests are asked to be financially responsible for the cost of their treatment. Acceptance of this responsibility is part of recovery. ... Those guests who are unable to pay are referred to management for additional financial screening. They may be deemed eligible for the charity care policy, which offers multiple payment plans as well as charity care provided by the Financial Assistance Fund Endowment. ... In FY 2013 the charity care total was $235,825 and bad debt total was $488,357. ... These policies are possible because of financial contributions and the return on investments that allow Fellowship Hall to cover its expenses, keep charges low and support guests who are engaged in their recovery. ..."*

On page 98, the applicant states it does not discriminate against any person based on income, racial or ethnic status, gender, disability, sexual orientation, or age.

In Section VI.7(a), page 103, the applicant states there have been no civil rights complaints filed against the facility.

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.9, page 105, the applicant provides the projected payor mix for the facility during the second project year, as shown in the table below:

PAYOR	% OF TOTAL REVENUE
Medicaid	0.0%
County Assistance	0.0%
Medicare	0.0%
Commercial Insurance	32.47%
BCBS	38.18%
Self Pay/Indigent	29.35%
Total	100.00%

On page 105, the applicant states: *"Fellowship Hall expects to see an increase in private pay revenues and a decline in commercial and BCBS."*

The applicant demonstrates that medically underserved populations will continue to have adequate access to the substance abuse services provided by Fellowship Hall. 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.6, page 101, the applicant states:

> *"A person has access to the applicant's services through referrals from LMC-MCO entities, area health and social services agencies, the legal system, physicians, clergy, AA, and other support groups, as well as through self-referral. Fellowship Hall receives referrals from facilities and agencies located throughout North Carolina and from surrounding states."*

In Exhibit 10, the applicant provides a list of referral sources that regularly refer patients to Fellowship Hall.

The applicant adequately demonstrates it offers a range of means by which residents have access to its 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

Exhibit 34 contains copies of the agreements with Duke University Health System, UNC Greensboro, and NC Agricultural Technical State University which document that Fellowship hall is accommodating the clinical needs of area health professional training

programs. The information provided is reasonable and credible and supports a finding of conformity with this criterion.

(15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.

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

C

Fellowship Hall proposes to develop 39 new adult substance abuse beds in its existing facility, located in Guilford County, pursuant to a need identified in the 2014 SMFP. Fellowship Hall is an existing hospital dedicated to treating adults with substance abuse disorders.

Fellowship Hall is one of three substance abuse facilities located in Guilford County. The other facilities include: 1) Daymark Guilford County Treatment Facility which has 40 substance abuse beds licensed as "3400 beds;" and 2) High Point Regional Hospital which has 4 substance abuse beds. There are other facilities in the Central Mental Health Planning Region that offer substance abuse services. The total number of existing adult substance abuse beds is 194.

In Section III.2, page 64, the applicant discusses how any enhanced competition in the service area will promote cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information in the application is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need for the proposed project and that it is a cost-effective alternative;
- The applicant adequately demonstrates that it will continue to provide quality services; and
- The applicant 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

According to the records in the Acute and Home Care Licensure and Certification Section of the Division of Health Service Regulation, no incidents have occurred at Fellowship Hall 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. 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 not conforming to all applicable *Criteria and Standards for Substance Abuse/Chemical Dependency Treatment Beds* in 10A NCAC 14C .2500. The specific criteria are discussed below.

10A NCAC 14C .2502 INFORMATION REQUIRED OF APPLICANT

(a) An applicant proposing to establish new intensive treatment 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.6, page 71, the applicant provides projected patient origin for the facility by percentage by county of residence.

(b) An applicant proposing to establish new intensive treatment beds shall project an occupancy level for the entire facility for the first eight calendar quarters following the completion of the proposed project, including the average length of stay. All assumptions and the methodology for projecting occupancy shall be clearly stated.

-C- In Section IV.2, page 74, the applicant provides projected occupancy for the entire facility for the first eight calendar quarters following project completion. In Section IV.2, pages 75 – 89, the applicant provides all assumptions and its methodology for projecting occupancy.

(c) If the applicant is an existing chemical dependency treatment facility, the applicant shall document the percentage of patients discharged from the facility that are readmitted to the facility at a later date.

-C- In Section II.1, page 31, the applicant states the readmission rate for the period July 1, 2013 through March 31, 2014 was 13.5%, based on 579 admissions.

(d) An 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, including procedure for accepting emergency admissions;

-C- In Section II.1, page 31, the applicant states that patients who are acutely intoxicated are accepted for admission if they meet the "Global Criteria for Admission," which are included in Exhibit 15. Exhibit 15 also includes detailed admission criteria for the facility.

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

-C- In Exhibit 16, the applicant provides policies and procedures, including preliminary evaluation and establishment of an individualized treatment plan.

(3) Procedures for referral and follow-up of clients to necessary outside services;

-C- In Exhibit 10, the applicant provides a copy of the referral policy, as well as a list of contacts for referrals for therapy and hospital sources available to patients.

(4) Procedures for involvement of family in counseling process;

-C- In Exhibit 16, the applicant provides a copy of the procedures for involvement of family members in the patient's counseling and treatment process.

(5) Provision of an aftercare plan; and

-C- In Exhibit 17, the applicant provides copies of discharge instructions and continuing care / aftercare plans.

(6) Quality assurance / utilization review plan.

-C- In Exhibit 18, the applicant provides copies of the performance improvement plan, utilization review plan, and disaster notification system.

(e) An 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 intensive treatment beds.

-C- In Exhibit 8, the applicant provides copies of letters from the local LME/CMOs indicating support for the proposal. In Exhibit 19, the applicant provides letters of support from area healthcare providers.

(f) An 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 chemical dependency treatment facility.

-C- In Section II.1, page 33, the applicant states it has agreements currently in place for pharmacy, laboratory, radiology and nutrition services. Exhibit 13 contains copies of those agreements. The applicant states those agreements will remain in place following the addition of the 39 substance abuse beds.

(g) An applicant shall document the provisions that will be made to obtain services for patients with a dual diagnosis of chemical dependency and psychiatric problems.

-C- In Section II.1, page 33, the applicant states that the current medical director is board certified in psychiatry and board eligible in internal medicine and addiction medicine. The applicant also states that it treats patients with a primary diagnosis of substance abuse; those patients whose primary diagnosis is psychiatric in nature are referred to a treatment facility that focuses primarily on psychiatric illness.

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

-C- In Section II.1, page 34, the applicant states that the 39 additional substance abuse beds will be located in the existing facility on the existing campus. The applicant has been providing services on this site since 1971. In Exhibit 20, the applicant provides confirmation of ownership.

(i) An applicant proposing to establish new intensive treatment beds shall document that the services will be provided in a physical environment that conforms with the

requirements in 10A NCAC 27G .0300 which are incorporated by reference including all subsequent amendments.

-C- In Section II.1, page 34, the applicant states the existing facility conforms to all requirements promulgated in 10A NCAC 27G .0300. Furthermore, the applicant states that the facility will continue to conform to those requirements following completion of the project.

10A NCAC 14C .2503 PERFORMANCE STANDARDS

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

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

-C- In supplemental information provided to the Agency, the applicant reports occupancy rates for the nine month period from January 2014 – September 2014, as shown below:

MONTH	DAYS IN MONTH	DAYS OF CARE	# OF BEDS	UTILIZATION RATE
January 2014	31	1,280	54	76.46%
February 2014	28	1,063	54	70.30%
March 2014	31	1,506	54	89.96%
April 2014	30	1,391	54	85.86%
May 2014	31	1,441	54	86.08%
June 2014	30	1,457	54	89.94%
July 2014	31	1,488	54	88.89%
August 2014	31	1,503	54	89.78%
September 2014	30	1,432	54	88.40%
Total	**273**	**12,561**	**54**	**85.21%**

The applicant adequately demonstrates that its occupancy for the first nine consecutive months of 2014 was at least 85%.

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

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

-C- In Section II.1, page 37, the applicant projects occupancy of the facility in the fourth quarter of the third year following completion of the facility will be 86.2%. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

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

-C- In Section IV.2, pages 75 – 90, the applicant provides all the assumptions and methodology upon which is bases its projections. In addition, in Section IV.3, page 90, the applicant states it bases its recidivism rate on historical data, which shows a 13% recidivism rate.

10A NCAC 14C .2504 RESERVED FOR FUTURE CODIFICATION

10A NCAC 14C .2505 STAFFING AND STAFF TRAINING

(a) An applicant proposing to establish new intensive treatment beds shall document that clinical staff members will be:

(1) currently licensed or certified by the appropriate state licensure or certification boards; or
(2) supervised by staff who are licensed or certified by the appropriate state licensure or certification boards.

-C- In Section II.1, page 38, the applicant states that all clinical staff members are supervised by James Fenley, who is a North Carolina Licensed Clinical Addictions Specialist as well as a Certified Clinical Supervisor. In addition, the medical director of Fellowship Hall is board certified in psychiatry and board eligible in addiction medicine.

(b) An applicant proposing to establish new intensive treatment beds shall document that the staffing pattern in the facility is consistent with the staffing requirements contained in 10A NCAC 27G which are incorporated by reference including all subsequent amendments.

-C- In Section II.1, page 38, the applicant states it complies with all the criteria and standards regarding staff as promulgated in 10A NCAC 27G .3400. In Exhibit 14 the applicant provides a list of all current staff positions and identifies which of those positions require an active license.