

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: August 26, 2016

Findings Date: August 26, 2016

Project Analyst: Celia C. Inman

Team Leader: Fatimah Wilson

Project ID #: J-11188-16

Facility: Strategic Behavioral Center-Garner

FID #: 120089

County: Wake

Applicant: SBH-Raleigh, LLC

Project: Cost overrun on Project ID #J-11030-15 (add 24 adult inpatient psychiatric beds)

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, SBH-Raleigh, LLC (SBH-Raleigh), proposes a cost overrun for Project ID #J-11030-15 (*Transfer no more than 24 psychiatric inpatient beds from Broughton Hospital to SBC-Raleigh pursuant to Policy PSY-1 for a total of no more than 24 adult psychiatric inpatient beds, 32 child/adolescent psychiatric inpatient beds, and 36 psychiatric residential treatment facility beds upon project completion*). The applicant is currently licensed for 32 child and adolescent inpatient psych (C/A IP psych) beds and 60 psychiatric residential treatment facility (PRTF) beds at SBC-Garner. Effective August 15, 2015, the applicant was awarded a CON for Project ID #J-11030-15 which authorized the applicant to add 24 adult inpatient psychiatric (adult IP psych) beds to SBC-Garner. The CON for Project ID #J-11030-15 authorized a capital cost of \$10,500 and the de-licensing of 24 PRTF beds. The current application is for a cost overrun of \$2,709,785, resulting from the decision to develop

the approved 24 adult IP psych beds in newly constructed space, rather than developing the beds in existing space vacated by the de-licensing of 24 PRTF beds, as previously approved.

Need Determination

The applicant does not propose to increase the number of licensed beds in any category, add any new health services or acquire equipment for which there is a need determination in the 2016 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2016 SMFP that are applicable to this review.

Policies

There is one policy in the 2016 SMFP which is applicable to this review, Policy GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES.

Policy GEN-4, on pages 39-40 of the 2016 SMFP, states:

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

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

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

The proposed capital expenditure is greater than \$2 million and less than \$5 million. In Section II.7, page 22, the applicant addresses Policy GEN-4, stating:

“The SBH Raleigh facility is currently licensed and operational. The proposed 24-bed addition will be constructed based on the most current NC Construction Codes and will contain several energy efficiency and water conservation methods including fluorescent tube lighting with ballasts and low flow showerheads.”

The application is consistent with this policy. There are no other policies in the 2016 SMFP that are applicable to this review.

Conclusion

In summary, the application is consistent with Policy 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 applicant proposes a cost overrun for Project ID #J-11030-15 (*Transfer no more than 24 psychiatric inpatient beds from Broughton Hospital to SBC-Raleigh pursuant to Policy PSY-1 for a total of no more than 24 adult psychiatric inpatient beds, 32 child/adolescent psychiatric inpatient beds, and 36 psychiatric residential treatment facility beds upon project completion*). In Section II.1, pages 11-15, the applicant states that the increase in the capital cost for the project is due to a decision to develop the approved 24 adult IP psych beds in a newly constructed addition to the facility. The approved Project ID #J-11030-15 proposed developing the 24 adult IP psych beds in existing space housing 24 PRTF beds. At the time the original application was filed, the applicant anticipated a decline in the utilization of its PRTF beds; therefore, it proposed to de-license 24 of its 60 PRTF beds to house the proposed 24 adult IP psych beds. On page 11, the applicant states:

“However, since the time of the CON application’s review, it has become apparent that PRTF utilization has both increased and appears to be maintaining that volume into the future. For this reason, SBH Raleigh desires to maintain its inventory of PRTF beds at 60 beds and construct a new addition to the SBH Raleigh facility to accommodate the approved 24 adult IP psych beds.”

In September 2015, SBH-Raleigh sought and received Material Compliance approval from the Agency to extend the approved timeline of Project ID #J-11030-15 to permit the construction of a 24-bed addition to SBC-Garner to accommodate the 24 PRTF beds that the applicant decided not to de-license. In March 2016, the applicant sought approval through a second Material Compliance request to locate the 24 adult IP psych beds approved in Project ID #J-11030-15 in the 24-bed addition being constructed for the 24 PRTF beds. On page 12, the applicant states:

“In response to the SBH Raleigh Letter of Material Compliance, dated March 29, 2016, the Agency informed SBH Raleigh that a Cost Overrun CON application would be required to construct a 24-bed addition to accommodate the 24 adult IP psych beds approved in CON Project ID #J-11030-15.”

The necessity of filing a cost overrun is attributable to the increased capital costs associated with the construction of a new 24-bed unit, which was not proposed in the previously approved CON application. This application requests a cost overrun approval of \$2,709,785, the increase in capital cost over the previously approved capital cost of \$10,500 in Project ID #J-11030-15. Upon project completion, SBC-Garner would be licensed for a total of 24 adult IP psych beds, 32 C/A IP psych beds, and 60 PRTF beds. The new adult IP psych beds are now projected to be certified in January 2017, one year later than projected in Project ID #J-11030-15.

Throughout this application and Project ID #J-11030-15, the applicant erroneously refers to the Garner facility as Strategic Behavioral Center-Raleigh (SBC-Raleigh). Furthermore, the Certificate for Project ID #J-11030-15 erroneously refers to the facility as Strategic Behavioral Center-Raleigh; however, the license correctly refers to the facility as Strategic Behavioral Center-Garner. The Agency issued a Corrected Certificate of Need referring to the facility as Strategic Behavioral Center-Garner on June 23, 2016. The Project Analyst will refer to the facility using the correct name of Strategic Behavioral Center-Garner (SBC-Garner), regardless of the use of the incorrect facility name (SBC-Raleigh) in the application.

Population to be Served

On page 376, the 2016 SMFP defines the service area for inpatient psychiatric beds as “*the catchment area for the LME-MCO for mental health, developmental disabilities, and substance abuse services in which the bed is located.*” Thus, the service area for SBC-Garner consists of Cumberland, Durham, Johnston and Wake counties. Facilities may serve residents of counties not included in their service area.

In Project ID #J-11030-15, the applicant was approved to add 24 adult IP psych beds to the SBC-Garner facility. The current application is for a cost overrun for that project. In Project ID #J-11030-15, the application was found to adequately identify the population to be served and no changes are proposed in this application that affect that determination.

Analysis of Need

The applicant discusses the need for the proposed cost overrun project in Section II.4, pages 16-17, stating:

“The proposed project is not based on an unsatisfied need in the service area, but rather the need for SBH Raleigh to continue operating all 60 PRTF beds currently licensed at SBH Raleigh [SBC-Garner] and to construct a 24-bed addition to accommodate the 24 adult IP psych beds, approved in CON Project ID #J-11030-15.”

The following table compares the previously approved capital cost and the proposed capital cost in this application, as reported on page 35.

STRATEGIC BEHAVIORAL CENTER-GARNER CAPITAL COST			
ITEM	PREVIOUSLY APPROVED COST	TOTAL PROPOSED COST	TOTAL OVERRUN COST
Construction Contract	\$0	\$2,559,927	\$2,559,927
Equipment/Furniture	\$0	\$126,667	\$126,667
Architect/Engineering Fees	\$10,500	\$33,691	\$23,191
Total Capital Costs	\$10,500	\$2,720,285	\$2,709,785

In Section II.1.A., page 11, the applicant states the increased capital cost is due to the new construction to house a 24-bed unit, which was not proposed in the previously approved CON application, which proposed utilizing existing space created from de-licensing 24 of SBC-Garner’s 60 PRTF beds. The project scope, the population to be served and access by underserved groups of the original application will not change as a result of this application.

Projected Utilization

The applicant provides historical and projected utilization data in Section II.4(b), page 18 and Section III.1, pages 25-26, as summarized below.

	Historical	Historical	Interim	PY1	PY2	PY3
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
PRTF Beds						
# Beds	60	60	60	60	60	60
Patient Days	14,728	18,126	18,176	18,126	18,126	18,126
% Utilization	67.3%	82.8%	83.0%	82.8%	82.8%	82.8%
C/A IP Psych Beds						
# Beds	32	32	32	32	32	32
Patient Days	8,448	11,494	11,525	11,494	11,494	11,494
% Utilization	72.3%	98.4%	98.7%	98.4%	98.4%	98.4%
Adult IP Psych Beds						
# Beds				24	24	24
Patient Days				7,290	8,352	8,352
% Utilization				83.2%	95.3%	95.3%

The applicant provides the assumptions for the above projections on page 18 of the application. Projected utilization is based upon the approved utilization and assumptions in Project ID #J-11030-15. Projected utilization for the adult IP psych, C/A IP psych and the PRTF beds in Project ID #J-11030-15 were found to be based on reasonable and supported assumptions. The only significant change in utilization that the applicant proposes in the current cost overrun application is the operation of the full complement of 60 PRTF beds, because the applicant no longer proposes to de-license 24 of its 60 PRTF beds. The Agency does not regulate PRTF beds. Thus, the applicant adequately demonstrates the need the identified population has for the proposed services.

Access

In Project ID #J-11030-15, the applicant adequately demonstrated the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services. The applicant proposes no changes in the current application that would affect that determination.

Conclusion

In the original application, the applicant adequately identified the population to be served, adequately demonstrated the need to develop 24 adult IP psych beds at the existing facility and adequately demonstrated the extent to which all residents of the service area, including underserved groups, are likely to have access to its services. In this application, the applicant adequately demonstrates the need for the new addition and the proposed cost overrun. Consequently, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of

the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

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

CA

In Section II.5, pages 19-20, the applicant describes the alternatives considered prior to submitting this application for the cost overrun, which include:

- Maintain the Status Quo –The applicant states that maintaining the status quo is not an effective alternative because there is a need for all 60 PRTF beds and for the 24 approved adult IP psych beds and developing the project as approved does not permit operating all 60 PRTF beds and the 24 approved adult IP psych beds.
- Seek Approval through Material Compliance – The applicant states that it attempted to seek approval to develop the 24 adult IP psych beds in newly constructed space through a letter of Material Compliance. The Agency determined that because the capital expenditure would be more than 115% of the approved capital expenditure, the applicant would need to submit a cost overrun application.
- Re-bid the Project – The applicant states that re-bidding the project was not feasible.
- Submit the Abridged Cost Overrun Application – The applicant states that this alternative is the most effective alternative because it allows SBH-Raleigh to meet the needs of the service area population, continue to deliver services without major disruption, and improve the patient environment.

After considering the above alternatives, the applicant states that it determined that the project as presented in the application is the most effective alternative to meet the identified need.

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

- 1. SBH-Raleigh, LLC dba Strategic Behavioral Center-Garner shall materially comply with all the conditions of approval on the certificate of need for Project ID #J-11030-15, except as specifically modified by the conditions of approval for this application, Project ID #J-11188-16.**

2. **SBH-Raleigh, LLC dba Strategic Behavioral Center-Garner shall relocate no more than 24 adult psychiatric inpatient beds from Broughton Hospital for a total licensed bed complement of no more than 24 adult psychiatric inpatient beds, 32 child and adolescent psychiatric inpatient beds, and 60 psychiatric residential treatment facility beds.**
 3. **The total approved capital expenditure for Project ID #J-11030-15 and Project ID #J-11188-16 combined is \$2,720,285, an increase of \$2,709,785 over the previously approved capital expenditure of \$10,500.**
 4. **SBH-Raleigh, LLC dba Strategic Behavioral Center-Garner shall not acquire, as part of this project, any equipment that is not included in the project’s proposed capital expenditure in Section VI of the application or that would otherwise require a certificate of need.**
 5. **SBH-Raleigh, LLC dba Strategic Behavioral Center-Garner shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and 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

The proposed project is for a cost overrun for Project ID #J-11030-15.

Capital and Working Capital Costs

The total capital cost is now expected to be \$2,720,285, an increase of \$2,709,785 over the previously approved Project ID #J-11030-15 capital cost of \$10,500, which is above the allowed 115% overage for capital expenditures. The following table compares the previously approved capital cost and the proposed capital cost in this application, as reported on page 35.

STRATEGIC BEHAVIORAL CENTER-GARNER CAPITAL COST			
ITEM	PREVIOUSLY APPROVED COST	TOTAL PROPOSED COST	TOTAL OVERRUN COST
Construction Contract	\$0	\$2,559,927	\$2,559,927
Equipment/Furniture	\$0	\$126,667	\$126,667
Architect/Engineering Fees	\$10,500	\$33,691	\$23,191
Total Capital Costs	\$10,500	\$2,720,285	\$2,709,785

In Section VII, page 40, the applicant states that total start-up expense is expected to be \$111,316, which includes one month of salaries and benefits for the new positions related to the development of the adult psychiatric unit. The initial operating expenses are expected to total \$28,422, for a total working capital requirement of \$139,738, \$18,722 more than approved in Project ID #J-11030-15.

Availability of Funds

In Section VI.5, page 37, and Section VII.2, page 40, the applicant states the total capital cost and working capital for the project will be funded through owner's equity. In Exhibit 10, the applicant provides a June 1, 2016 letter signed by Strategic Behavioral Health, LLC President, which confirms Strategic Behavioral Health, LLC's intent to transfer funds to the applicant for the development of the project. Exhibit 10 also contains a June 1, 2016 letter from the CEO of SBH-Raleigh obligating the transferred Owner's Equity funds from Strategic Behavioral Health, LLC to fund the proposed project.

In Exhibit 11, the applicant provides the consolidated financial statements for Strategic Behavioral Health, LLC and Subsidiaries for the years ending December 31, 2014 and 2013. As of December 31, 2014, Strategic Behavioral Health, LLC had total members' equity of \$65,247,719. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

In the original application, Project ID #J-11030-15, the applicant projected that operating expenses would exceed revenues (Form B) in each of the first three project years, CY2016-CY2018, as illustrated in the table below.

Project ID #J-11030-15

	CY2016	CY2017	CY2018
Net Patient Revenue	\$17,288,176	\$18,011,557	\$18,011,557
Total Expenses	\$10,956,526	\$11,210,387	\$11,428,882
Net Income	\$6,331,649	\$6,801,170	\$6,582,675

In Section XI, page 54 of the application under review, the applicant provides the pro forma financials, Form B, for the cost overrun application's first three project years (CY2017-CY2019), as summarized below.

Project ID #J-11188-16

	CY2017	CY2018	CY2019
Net Patient Revenue	\$19,381,238	\$20,104,619	\$20,104,619
Total Expenses	\$12,868,951	\$13,156,160	\$13,408,171
Net Income	\$6,512,287	\$6,948,460	\$6,696,448

The cost overrun application proposes a one-year delay in operations; the operation of all 60 PRTF beds (as opposed to 36), which increases PRTF days of care from 12,410 to 18,126 (46%); and a small increase (2.8%) in C/A IP psych days of care. There were no changes to the previously approved adult IP psych days of care. Projected charges for each category remained the same as originally projected. The reimbursement rate remained the same for adult IP psych and decreased approximately 10% for C/A IP psych and PRTF services. Revenues remained consistent with the charges, reimbursements and days of care being projected. Expenses increased nominally for the one-year shift in start date, as well as the additional days of care for PRTF and C/A IP psych services.

Project ID #J-11030-15 was determined to be conforming to this criterion with regard to the original proposal. The applicant does not propose any changes that would affect that determination. The assumptions used by the applicant in preparation of the pro forma financial statements in this cost overrun application are reasonable, including projected utilization, costs and charges. 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.

Conclusion

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

On page 376, the 2016 SMFP defines the service area for inpatient psychiatric beds as “*the catchment area for the LME-MCO for mental health, developmental disabilities, and substance abuse services in which the bed is located.*” Thus, the service area for SBC-Garner consists of Cumberland, Durham, Johnston and Wake counties. Facilities may serve residents of counties not included in their service area.

Project ID #J-11030-15 was approved to add 24 adult IP psych beds to the SBC-Garner facility. The current application is a cost overrun for that project. In Project ID #J-11030-15, the application was found to adequately demonstrate that the project would not result in unnecessary duplication of existing or approved adult inpatient psychiatric services and no changes are proposed in this application that affect that determination. 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 V.1, page 30, the applicant states,

“The proposed staffing has changed from the previously approved application due to all PRTF beds remaining in operation.”

In Project ID #J-11030-15, the applicant proposed a total of 32.0 full-time equivalent (FTE) positions for the adult IP psych beds, 37.6 FTE positions for the CA/IP psych beds and 106.1 FTE positions for the PRTF beds. Project ID #J-11030-15 proposed to add 24 adult IP psych beds and delicensed 24 PRTF beds for a total of 24 adult IP psych beds, 32 CA/IP psych beds and 36 PRTF beds, upon project completion.

This cost overrun application proposes not to de-license 24 of the 60 PRTF beds; therefore, upon completion of the project, the applicant will be operating a total of 24 adult IP psych beds, 32 CA/IP psych beds and 60 PRTF beds. The applicant now proposes a total of 32.0 FTE positions for the adult IP psych beds, 44.5 FTE positions for the CA/IP psych beds and 140.3 FTEs for the PRTF beds. The Agency does not regulate PRTF beds.

In Project ID #J-11030-15, the application was found conforming to this criterion and the applicant’s proposal to add 27.8 FTE positions to staff the additional 24 PRTF beds and the slight projected increase in utilization for CA/IP psych services does not affect that determination. The applicant projects that revenues will exceed expenses in each of the first three years of the proposed project and adequately demonstrates the availability of funds for the increased operational needs of the project. Consequently, the cost overrun 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 Project ID #J-11030-15, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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

The application under review is for a cost overrun on Project ID #J-11030-15. In the original application, the applicant proposed to develop the 24 adult IP psych beds in space currently housing 24 PRTF beds that were to be de-licensed. This cost overrun application proposes to continue to operate all 60 PRTF beds and develop the 24 adult IP psych beds in newly constructed space. Exhibit 3 contains line drawings of the facility as approved in Project ID #J-11030-15 and as proposed in this cost overrun application. Exhibit 4 contains a copy of the construction contract. The table below contains the previously approved and the proposed project costs.

STRATEGIC BEHAVIORAL CENTER-GARNER CONSTRUCTION COST			
ITEM	PREVIOUSLY APPROVED COST	TOTAL PROPOSED COST	TOTAL OVERRUN COST
Estimated SF	0	8,060	8,060
Total Construction Cost	\$0	\$2,559,927	\$2,559,927
Construction Cost per SF	\$0	\$318	\$318
Construction Cost per Bed	\$0	\$106,664	\$106,664
Total Project Cost	\$10,500	\$2,720,285	\$2,709,785
Total Cost per SF	\$0	\$338	\$338
Total Cost per Bed	\$438	\$113,345	\$112,908

In Section II.7, page 22 and Section IX.5, page 49, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicant adequately demonstrates that the cost, design and means of construction represents the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. Therefore, 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 Project ID #J-11030-15, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project ID #J-11030-15, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project ID #J-11030-15, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project ID #J-11030-15, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project ID #J-11030-15, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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

Project ID #J-11030-15 was approved to add 24 adult IP psych beds utilizing existing space created by the de-licensing of 24 PRTF beds. The current application is for a cost overrun to construct new space for the 24 adult IP psych beds and continue the operation of all 60 PRTF beds. In Project ID #J-11030-15, the application was found conforming to this criterion and no changes are proposed in this application that affect that determination. Consequently, the cost overrun 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

The applicant owns, leases, or manages three psychiatric facilities in North Carolina. In Project ID #J-11030-15, the application was found to be conforming with this criterion. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all three facilities, the applicant provided sufficient evidence that quality care has been provided in the past and adequately demonstrated that there is no pattern of substandard quality of care. 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.

NA

Project ID #J-11030-15 was found conforming to the Criteria and Standards for Psychiatric Beds promulgated in 10A NCAC 14C .2600, and the applicant proposes no changes in the

current application that would affect that determination. Consequently, the cost overrun application is conforming to this criterion.