

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: June 22, 2016

Findings Date: June 22, 2016

Project Analyst: Jane Rhoe-Jones

Team Leader: Lisa Pittman

Project ID #: O-11162-16

Facility: Strategic Behavioral Center - Leland

FID #: 130438

County: Brunswick

Applicant: SBH Wilmington, LLC

Project: Cost overrun for Project I.D. #O-11026-15 (Develop 20 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 Wilmington, LLC dba Strategic Behavioral Center – Leland (SBC-Leland), proposes a cost overrun for Project I.D. #O-11026-15 which authorized the facility to add 20 adult inpatient psychiatric beds (adult IP) at its psychiatric hospital located at 2050 Mercantile Drive Northeast, Leland, for a total of 20 adult IP beds, 20 child/adolescent inpatient psychiatric beds and 54 psychiatric residential treatment facility beds upon project completion. The certificate of need (CON) for Project I.D. #O-11026-15 authorized a capital cost of \$25,000. The proposed cost overrun (COR) application is for a combined total of \$2,632,750. In Project I.D. #O-11026-15, the applicant projected occupancy and offering of services by January 1, 2016. In the cost overrun application, the applicant projects occupancy and offering of services by January 1, 2017. There is no material change in scope from the originally approved project in this application.

#### 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**

Policy GEN-3: BASIC PRINCIPLES, page 39, of the 2016 SMFP is not applicable to this review. In Project I.D. # #O-11026-15, the application was consistent with Policy GEN-3. The applicant proposes no changes in the current application that would affect that determination. However, there is one policy in the 2016 SMFP which is applicable to this review, Policy GEN-4, on pages 39-40 of the 2016 SMFP. Policy GEN-4 is discussed below.

Policy GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES 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, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.*

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan 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 for this project is greater than \$2 million and less than \$5 million. In Section II.7, page 22, the applicant addresses Policy GEN-4 and its plan for energy efficiency and water conservation. The applicant states:

*“The SBH Wilmington facility is currently licensed and operational. The proposed 20-bed addition will be constructed based on the most current NC Construction Codes and*

*will obtain several energy efficiency and water conservation methods including fluorescent lighting with ballasts and low flow showerheads.”*

The applicant further states in Section IX.5, page 48,

*“SBH Wilmington has designed the proposed project to be in compliance with all applicable federal, state, and local requirements for energy efficiency and consumption. SBH Wilmington is managed by computerized energy and building management systems designed for the most effective and efficient operations.”*

The applicant adequately demonstrates the proposal includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

### **Conclusion**

In summary, the applicant adequately demonstrates that the proposal 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

Effective August 11, 2015, SBH Wilmington, LLC dba Strategic Behavioral Center - Leland was issued a certificate of need (CON) for Project I.D. #O-11026-15 which authorized the hospital to add 20 adult inpatient psychiatric (IP) beds at its psychiatric hospital for a total of 20 adult IP beds, 20 child/adolescent IP beds and 54 psychiatric residential treatment facility beds upon project completion. The original project was approved for a total capital cost of \$25,000. The additional adult IP beds were projected to be operational by January 1, 2016.

The current CON application is for a cost overrun. The total capital cost is now expected to be \$2,657,750, an increase of \$2,632,750 [ $\$2,657,750 - \$25,000 = \$2,632,750$ ] or 10,631% [ $\$2,657,750 / \$25,000 = 10,631\%$ ] of the approved capital cost. See Section VI.2, page 36.

### **Analysis of Need**

The following table compares the previously approved capital cost and the proposed capital cost, as reported on pages 35-36 in this application.

<b>STRATEGIC BEHAVIORAL CENTER - LELAND PREVIOUSLY APPROVED AND PROPOSED CAPITAL COSTS</b>			
	<b>Previously Approved Cost</b>	<b>Proposed Cost</b>	<b>Difference</b>
<b>Construction Costs</b>			
Materials, Labor, A&E	\$0	\$2,491,236	\$2,491,236
<b>Miscellaneous Costs</b>			
Furniture	\$0	\$105,554	\$105,554
<b>Consultant Fees</b>			
CON Prep & Legal	\$25,000	\$60,960	\$35,960
<b>Total Capital Costs</b>	<b>\$25,000</b>	<b>\$2,657,750</b>	<b>\$2,632,750</b>

The applicant seeks approval for an increased capital cost due to unanticipated construction costs. In Section II.3, pages 11-13, the applicant discusses the reason for the construction costs. The applicant states,

*“At the time of the CON application, SBH Wilmington assumed that the utilization of its existing PRTF beds would decline. As a result, SBH Wilmington proposed to de-license 18 PRTF beds to accommodate the 20 adult IP psych beds. However, since the time of the CON application review, ... PRTF utilization has both increased and appears to be maintaining that volume into the future. ... SBH Wilmington desires to maintain its inventory of PRTF beds at 72 beds and construct a new addition to the SBH Wilmington facility to accommodate the approved 20 adult IP psych beds.*

*On September 24, 2015, SBH Wilmington sought through a letter of Material Compliance the approval to extend the approved timeline to permit the construction of a 24-bed addition to accommodate the 18 PRTF beds that would not be de-licensed. The 24-bed addition would have actually been a 12-room addition that would have accommodated the 18 PRTF beds that would not be de-licensed. On October 27, 2015, the Agency approved the timeline extension to permit the construction of a 24-bed addition to accommodate the 18 PRTF beds...*

*After receiving approval to construct the 24-bed addition to accommodate the 18 PRTF beds that would not be de-licensed, SBH Wilmington was informed that the proposed 24-bed addition was too large a unit for PRTF beds. As a result, on March 29, 2016, SBH Wilmington sought approval through a second Letter of Material Compliance to locate the 20 adult IP psych beds, approved in CON Project ID #O-11026-15, into the 24-bed addition (actually a 12-room addition) approved in the first Letter of Material Compliance dated October 27, 2015.*

*In response to the SBH Wilmington Letter of Material Compliance, dated March 29, 2016, the Agency informed SBH Wilmington that a Cost Overrun CON application would be required to construct a 20-bed addition to accommodate the 20 adult IP psych beds approved in CON Project ID #O-11026-15.”*

The original project scope will not change nor will the population to be served; including access by underserved groups.

### **Conclusion**

In the original application, the applicant adequately identified the population to be served, demonstrated the need for 20 adult inpatient psychiatric beds and the extent to which all residents of the service area, including underserved groups, are likely to have access to its services. However, the applicant underestimated the capital cost necessary to complete the project. In this application, the applicant adequately demonstrates the need for the proposed cost overrun. Consequently, the cost overrun 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.

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The applicant discusses the need for the cost overrun application in Section II, pages 11-20. In Section II.5, pages 19-20, the applicant discusses the four alternatives considered:

1. Maintain Status Quo – This was not considered an effective alternative as the existing utilization of the PRTF beds requires continued operation of the 72 beds. Approval for the 20 bed adult IP psychiatric beds in CON Project ID #O-11026-15 affirmed the need for the beds. The applicant considers the cost overrun total of \$2,632,750 or 2.5% of SBH revenues as negligible.
2. Seek Approval through Material Compliance – As discussed in this and other sections in the application, this alternative is not viable as the capital expenditure authorized for the original project is insufficient to construct an addition for 20 adult inpatient psychiatric beds. Thus, a new certificate of need was necessary for the capital cost overrun.
3. Re-bid the Project – The applicant rejected this alternative stating that the project was already competitively bid, and to re-bid would not be feasible.

4. Submit the COR Application – the applicant determined this as the best alternative to meet the needs of the population it serves, to continue service delivery, and improve the environment for patients.

The applicant adequately demonstrates that the proposed alternative is the most effective and least costly alternative to meet the previously identified need for 20 adult psychiatric inpatient beds in Brunswick County.

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

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

- 1. SBH Wilmington, LLC dba Strategic Behavioral Center - Leland shall materially comply with all representations made in Project I.D. #O-11026-15 and this application, Project I.D. # O-11162-16. Where representations made in this application and the original application differ, SBH Wilmington, LLC dba Strategic Behavioral Center - Leland shall materially comply with representations made in this application.**
  - 2. The total approved capital expenditure for Project I.D. #O-11026-15 and Project I.D. # O-11162-16 combined is \$2,657,750.**
  - 3. SBH Wilmington, LLC dba Strategic Behavioral Center - Leland 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.**
  - 4. Prior to issuance of the certificate of need, SBH Wilmington, LLC dba Strategic Behavioral Center - Leland 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.

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The proposed project is for a cost overrun for Project I.D. #O-11026-15. The total capital cost is now projected to be \$2,657,750, an increase of \$2,632,750 [ $\$2,657,750 - \$25,000 =$

\$2,632,750] or 10,631% [ $\$2,657,750 / \$25,000 = 10,631\%$ ] of the approved capital cost. See Section VI.2, pages 36-37.

In Section VII.1 and 2, the applicant states that the proposed project does not have any projected working capital requirement and that previously approved start-up expenses are unchanged.

**Availability of Funds**

In Section VI.5, page 37, the applicant states the total capital cost of the project will be funded with owner’s equity. In Exhibit 9, the applicant provides an April 8, 2016 letter signed by the President, Strategic Behavioral Health, LLC Carolinas HealthCare System (SBH), which states:

*“Strategic Behavioral Health, LLC will transfer \$2,632,750 from Owner’s Equity to SBH Wilmington to fund the related capital costs associated with the development of 20 IP psych beds at its existing facility in Leland, NC through the construction of a 20-bed addition.”*

In Exhibit 11, the applicant provides the SBH Consolidated Financial Statement for the years ending December 31, 2014 and December 31, 2013. As of December 31, 2014, SBH had member’s (owner’s) equity totaling \$65,247,719 and \$151,036,616 in total assets.

**Financial Feasibility**

In the original application, Project I.D. #O-11026-15, page 116, the applicant projected that for the adult IP psychiatric bed service, operating expenses would exceed revenues in each of the first three years of the project, as illustrated below in the table.

<b>SBC – LELAND (PROJECT ID#O-11026-15) ADULT INPATIENT PSYCHIATRIC BEDS REVENUES &amp; EXPENSES PY1-PY3</b>			
	<b>PY 1 CY 2016</b>	<b>PY 2 CY 2017</b>	<b>PY 3 CY 2018</b>
Gross Patient Revenue	\$8,518,500	\$10,402,500	\$10,402,500
Deductions from Gross Patient Revenue	\$4,606,805	\$5,625,672	\$5,625,672
Net Patient Revenue	\$3,911,695	\$4,766,828	\$4,766,828
Total Expenses	\$1,709,411	\$2,102,083	\$2,144,124
<b>Net Income</b>	<b>\$2,202,284</b>	<b>\$2,674,745</b>	<b>\$2,632,704</b>

In Form C, page 54 of the current application, the applicant also projects that operating expenses for the adult IP psychiatric bed service will exceed revenues in each of the first three years of the project, as illustrated in the table below.

<b>SBC – LELAND (PROJECT ID# O-11162-16)</b>
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<b>ADULT INPATIENT PSYCHIATRIC BEDS REVENUES &amp; EXPENSES PY1-PY3</b>			
	<b>PY 1 CY 2017</b>	<b>PY 2 CY 2018</b>	<b>PY 3 CY 2019</b>
Gross Patient Revenue	\$8,518,500	\$10,402,500	\$10,402,500
Deductions from Gross Patient Revenue	\$4,538,657	\$5,542,452	\$5,542,452
Net Patient Revenue	\$3,979,843	\$4,860,048	\$4,860,048
Total Expenses	\$1,736,592	\$2,135,259	\$2,177,964
<b>Net Income</b>	<b>\$2,243,252</b>	<b>\$2,724,789</b>	<b>\$2,682,084</b>

The original application was determined to be conforming to this criterion with regard to the financial feasibility of the addition of 20 new adult IP psychiatric beds. In the current application, the applicant does not propose any changes that would affect that determination.

**Conclusion**

In summary, the applicant adequately demonstrates the availability of funds for the increased capital needs of the project. 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.

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In Project I.D. #O-11026-15, the applicant was approved to develop 20 adult IP psychiatric beds in Brunswick County pursuant to the need determination in the 2015 SMFP. In Project I.D. #O-11026-15, the application was 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.

- (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 I.D. #O-11026-15, the applicant proposed a total of 33.30 FTE positions for the adult IP psychiatric beds. In Form C - Staffing Assumption Worksheet in Section XI, page 60, the applicant proposes to increase the staff in this proposed project by 1.00 FTE for a total of 34.30 FTEs for the adult IP psychiatric beds in Project Year 2, as shown below in the table.



<b>SBC – LELAND STAFFING ADULT INPATIENT PSYCHIATRIC BEDS</b>			
	<b>Previously Approved</b>	<b>Proposed YR2</b>	<b>Difference</b>
Administrative Assessment Professional	2.8	2.8	0.0
Charge RN	1.0	1.0	0.0
Community Counselor	3.5	3.5	0.0
Financial Counselor	1.0	1.0	0.0
Licensed Clinician	2.0	2.0	0.0
Licensed Recreational Therapist	1.0	1.0	0.0
Medical Records Support	1.0	1.0	0.0
Mental Health Technician	13.0	13.0	0.0
RN	8.0	8.0	0.0
UR Specialists	0.0	1.0	1.0
<b>Total</b>	<b>33.3</b>	<b>34.3</b>	<b>1.0</b>

In Project I.D. #O-11026-15, the application was conforming to this criterion, and the applicant’s proposal to add 1.0 FTE staff 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 I.D. #O-11026-15, the application was 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.

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In Section II.1, page 11, the applicant states the capital costs in the proposed project are necessary due to having to construct the 20-bed adult IP unit versus locating the proposed unit in space currently occupied by 18 PRTF beds. The applicant discusses the reasons for the proposed construction and this COR application in Section II.3, pages 11-13. The discussion regarding the need for this COR application in Criterion (3) is incorporated herein by reference.

This application for a COR seeks approval for increased capital cost of the project only, resulting from a facility design change involving renovation and construction of a new addition. The original project scope will not be changed. In Section VI, pages 35-36, the applicant provides a breakdown of the increased costs, summarized as follows:

<b>STRATEGIC BEHAVIORAL CENTER – LELAND 20-BED ADULT INPATIENT PSYCH UNIT PREVIOUSLY APPROVED AND PROPOSED CAPITAL COSTS</b>			
	<b>Previously Approved Cost</b>	<b>Proposed Cost</b>	<b>Difference</b>
<b>Construction Costs</b>			
Materials, Labor, A&E	\$0	\$2,491,236	\$2,491,236
<b>Miscellaneous Costs</b>			
Furniture	\$0	\$105,554	\$105,554

<b>Consultant Fees</b>			
CON Prep & Legal	\$25,000	\$60,960	\$35,960
<b>Total Capital Costs</b>	<b>\$25,000</b>	<b>\$2,657,750</b>	<b>\$2,632,750</b>

The applicant states in Section IX.3, pages 47-48, that it proposes new construction for the 20 adult psychiatric IP facility beds; an addition of 10,451 square feet. Line drawings of the facility as approved in Project I.D. #O-11026-15 and the proposed COR project are provided by the applicant in Exhibit 3. The table below contains the previously approved and the proposed project construction costs.

<b>STRATEGIC BEHAVIORAL CENTER – LELAND 20-BED ADULT INPATIENT PSYCH UNIT PREVIOUSLY APPROVED AND PROPOSED CONSTRUCTION COSTS</b>			
	<b>Previously Approved</b>	<b>Proposed</b>	<b>Difference</b>
Estimated SF	0	10,451	10,451
Construction Cost per SF	\$0	\$238.37	\$238.37
Construction Cost per Bed	\$0	\$124,561	\$124,561
Total Cost per SF	\$0	\$254.31	\$254.31
Total Cost per Bed	\$1,250	\$132,887	\$131,637

The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative and that the construction costs will not unduly increase the costs and charges of the proposed services. The discussion regarding costs and charges in Criterion (5) is incorporated herein by reference. 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

Project I.D. #O-11026-15 was 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

Project I.D. #O-11026-15 was 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

Project I.D. #O-11026-15 was 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.

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Project I.D. #O-11026-15 was 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.

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Project I.D. #O-11026-15 was 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 I.D. #O-11026-15, was 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.

- (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.

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In Section I.2, pages 10-11, of the previously approved Project ID #-O-11026-15, the applicant listed the three inpatient psychiatric facilities it owns and operates in North Carolina. The facilities are shown below in the table.

<b>SBC – LELAND</b>	
<b>18-Month Look Back</b>	
<b>Facility</b>	<b>In Compliance</b>
SBC – Charlotte	Yes
SBC – Raleigh	Yes
SBC – Wilmington	Yes

According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding submission of the application through the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on the psychiatric facilities owned and operated by the applicant in North Carolina. 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 the facilities, the applicant provides sufficient evidence that quality care has been provided in the past and adequately demonstrates 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.

C

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

Project I.D. #O-11026-15 was 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.