

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 8, 2019

Findings Date: November 8, 2019

Project Analyst: Celia C. Inman

Assistant Chief: Lisa Pittman

Project ID #: J-11762-19

Facility: Johnston Health

FID #: 943290

County: Johnston

Applicant: Johnston Health Services Corporation

Project: Relocate six adult psychiatric beds from Broughton Hospital pursuant to Policy PSY-1 for a total of no more than 26 psychiatric beds upon project completion

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §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

Johnston Health Services Corporation, hereinafter referred to as JHSC or “the applicant” proposes to transfer six adult psychiatric inpatient beds from Broughton Hospital (BH) to Johnston Health (JH), pursuant to Policy PSY-1, for a total of 26 psychiatric inpatient beds upon project completion.

#### **Need Determinations**

There are no need determinations in the 2019 State Medical Facilities Plan (SMFP) applicable to the proposed project.

## **Policies**

There are three policies in the 2019 SMFP which are applicable to this review: Policy MH-1: Linkages between Treatment Settings, Policy PSY-1: Transfer of Beds from Psychiatric Hospitals to Community Facilities, and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

**Policy MH-1: Linkages between Treatment Settings** states:

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

Exhibit B.3 contains a copy of the signed memorandum of agreement (MOA) for the transfer of psychiatric inpatient beds from Broughton Hospital to Johnston Health, which documents the local management entity-managed care organization (LME/MCO), Alliance Behavioral Health (Alliance Health) has knowledge of and is in agreement with the proposed transfer of beds from Broughton Hospital to Johnston Health. Therefore, the application is conforming to Policy MH-1.

**Policy PSY-1: Transfer of Beds from Psychiatric Hospitals to Community Facilities** states:

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

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

The applicant has submitted a CON application proposing to transfer six adult psychiatric inpatient beds from Broughton to Johnston Health for a total of 26 psychiatric inpatient beds upon project completion. In Section B, page 11, the applicant states:

*“Alliance Health provides psychiatric services and programs to the local community through its 24-hour toll free Alliance Health Access and Information Line, a walk-in*

*Crisis and Assessment Center, and for patients with Medicaid, a quick online search tool to locate a provider. Through these resources, Alliance Health improves the health and well-being of the people it serves by ensuring highly effective, community-based support and care.”*

The applicant further states that it works with Alliance Health and will continue to do so following the completion of the proposed project. Exhibit B.3 contains the signed MOA stating Johnston Health’s commitment to serving patients of the same types and levels as those served by state psychiatric hospitals. Therefore, the application is conforming to Policy PSY-1.

**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 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 expenditure for this project is greater than \$2 million but less than \$5 million. In Section B, page 13, and Exhibit B.6, the applicant describes its plan to assure improved energy efficiency and water conservation. Therefore, the application is conforming Policy GEN-4.

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and

- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the proposal is consistent with Policy MH-1, by providing documentation that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services;
- The applicant adequately demonstrates that the proposal is consistent with Policy PSY-1, by including a written memorandum of agreement between the local management entity-managed care organization serving the county where the beds are to be located, the secretary of the North Carolina Department of Health and Human Services, and Johnston Health; and
- The applicant adequately demonstrates that the application is consistent with Policy GEN-4 by providing a written statement describing the project's plan to assure improved energy efficiency and water conservation.

(2) Repealed effective July 1, 1987.

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

## C

The applicant proposes to transfer six adult psychiatric inpatient beds from Broughton Hospital to Johnston Health, pursuant to Policy PSY-1, for a total of 26 psychiatric inpatient beds at JH upon project completion.

### **Patient Origin**

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” Page 376 of the 2019 SMFP defines the service area for psychiatric inpatient beds as “*the catchment area for the LME-MCO for mental health, developmental disabilities and substance use disorder services in which the bed is located.*” Per Table 15A, page 378, the LME-MCO for this project is Alliance Behavioral Healthcare which includes Cumberland, Durham, Johnston and Wake counties. Facilities may also serve residents of counties not included in their service area.

In Section C, pages 15-16, the applicant provides tables showing its historical and projected patient origin through the first three full fiscal years (FY2022-FY2024, running

from July 1 through June 30) following completion of the proposed project, as summarized in the following table:

<b>JH Psychiatric Inpatient Beds Patient Origin Percent of Total Patients</b>		
<b>County</b>	<b>Historical FY2019</b>	<b>Projected FY2022, FY2023, and FY2024</b>
Johnston	65.6%	65.6%
Wake	17.2%	17.2%
Harnett	4.8%	4.8%
Wayne	3.0%	3.0%
Nash	1.2%	1.2%
Sampson	1.1%	1.1%
Wilson	0.8%	0.8%
Other*	6.3%	6.3%
<b>TOTALS</b>	<b>100%</b>	<b>100%</b>

Source: Tables on pages 15-16 of the application.

\*Includes 18 other NC counties as listed on pages 15-16 and other states

The applicant's patient origin is based on the historical patient origin for JH's existing psychiatric inpatient beds. The applicant's assumptions are reasonable and adequately supported.

### **Analysis of Need**

In Section C.4, pages 17-23 the applicant explains why it believes the population projected to utilize the proposed psychiatric inpatient beds needs the proposed services. On page 17, the applicant states the specific need for the project is comprised of several factors, including:

- Psychiatric inpatient access in North Carolina (p. 17-19);
- Psychiatric patients in Johnston Health emergency departments (p. 20-22);
- High level of adult psychiatric inpatient utilization at JH (p. 19-20); and
- Growth and aging of the Johnston County population (p. 22).

In Section N, page 55, the applicant addresses the need for the transfer of the six beds, stating:

*“As previously noted, Johnston Health is the only provider of adult psychiatric inpatient care in Johnston County and the proposed relocation is needed to provide greater access for all patients to this vital service, including medically underserved groups.”*

The information referenced above is reasonable and adequately supported for the following reasons:

- The information relative to the need for inpatient psychiatric care throughout North Carolina is based upon published statistical data on mental health in North Carolina.

- The applicant uses historical internal data at Johnston Health’s emergency department to show the need for more access for inpatient psychiatric services.
- Johnston Health’s existing 20-bed adult psychiatric inpatient unit has been operating at or above 90% occupancy over the last three years.
- According to data from the North Carolina office of State Budget and Management, Johnston County is among the fastest growing counties in the state, which will impact the demand for psychiatric inpatient services.

Projected Utilization

In Section Q, Form C Utilization, the applicant provides the historical and projected utilization for JH adult psychiatric inpatient beds through the first three full fiscal years, FY2022-FY2024 (July 1 - June 30), as summarized in the following table:

JH Adult Psychiatric Inpatient Beds

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
# of Psychiatric Beds	20	20	20	26	26	26
Days of Care	6,733	6,733	6,733	6,931	7,135	7,345
Occupancy	92.23%	92.23%	92.23%	73.04%	75.19%	77.40%

Source: Form C, Section Q

As shown in the table above, the applicant projects an average occupancy rate of 77.4% in the 26 psychiatric inpatient beds at JH in the third operating year (FY2024) following completion of the project.

In Section Q, Form C Utilization – Assumptions and Methodology, the applicant describes its assumptions and methodology for projecting utilization of the psychiatric inpatient beds at JH, providing historical discharges, days of care, average length of stay, average daily census, and percent of occupancy.

Projected utilization is reasonable and adequately supported for the following reasons:

- The projected utilization is based on the historical utilization of the applicant’s existing psychiatric inpatient beds.
- The facility’s current occupancy rate and the projected growth in population supports the projected utilization.

Access

In Section C.7, page 24, the applicant states JH prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability, or the patient’s ability to pay. In Section L, page 50, the applicant projects the following payor mix for psychiatric inpatient beds at JH during the third full fiscal year of operation (FY2024) following completion of the project, as summarized in the following table.

Payment Source	Percent of Total Psychiatric Patient Days
Self-Pay	0.9%
Insurance*	15.8%
Medicare*	25.5%
Medicaid*	25.6%
Other (3-way Beds and Other Govt.)	32.2%
<b>Total</b>	<b>100.0%</b>

Source: Table on page 50 of the application.

\*Including any managed care plans

Total may not foot due to rounding.

The projected payor mix is reasonable and adequately supported.

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

- (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

The applicant does not propose to reduce or eliminate a service, nor does it propose the relocation of a facility or a service. Therefore, Criterion (3a) is not applicable to this review.

- (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

The applicant proposes to transfer six psychiatric inpatient beds from Broughton Hospital to Johnston Health, pursuant to Policy PSY-1, for a total of 26 psychiatric inpatient beds upon project completion.

In Section E, page 30, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo – The applicant states that maintaining the status quo is not an effective alternative because it would represent a failure on the part of Johnston Health to ensure adequate adult psychiatric inpatient bed capacity for its projected patients.
- Transfer a different number of beds - The applicant determined that transferring fewer than six beds would not give Johnston Health the ability to provide enough capacity to deliver adult psychiatric inpatient care in a timely manner, and the memorandum of agreement limits it from relocating more than six beds.

On page 30, the applicant states, *“In consideration of the factors discussed above, Johnston Health elected to develop the project as proposed.”*

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons:

- The proposed alternative addresses the capacity constraints with the 20 adult psychiatric inpatient beds at JH.
- The proposed alternative will address the growing need for additional access to psychiatric inpatient services in at Johnston Health and in Johnston County.

#### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:



1. **Johnston Health Services Corporation shall materially comply with all representations made in the certificate of need application.**
  2. **Johnston Health Services Corporation shall relocate no more than six adult psychiatric inpatient beds from Broughton Hospital to Johnston Health for a total of no more than 26 psychiatric inpatient beds at Johnston Health.**
  3. **Johnston Health Services Corporation shall accept patients requiring involuntary admission for psychiatric inpatient services.**
  4. **No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Johnston Health Services Corporation shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. **Payor mix for the services authorized in this certificate of need.**
    - b. **Utilization of the services authorized in this certificate of need.**
    - c. **Revenues and operating costs for the services authorized in this certificate of need.**
    - d. **Average gross revenue per unit of service.**
    - e. **Average net revenue per unit of service.**
    - f. **Average operating cost per unit of service.**
  5. **Johnston Health Services Corporation shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to insurance 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 applicant proposes to transfer six psychiatric inpatient beds from Broughton Hospital to Johnston Health, pursuant to Policy PSY-1, for a total of 26 psychiatric inpatient beds upon project completion.

**Capital and Working Capital Costs**

In Section Q, Form F.1a Capital Cost, the applicant projects the total capital cost of \$2,048,500 for the proposed project, as summarized in the table below:

Site Prep/Construction/Renovation Costs	\$1,701,500
A&E /Consultant Fees	\$250,000
Equipment/Furniture	\$61,000
Other Costs (Contingency, Insurance)	\$36,000
<b>Total</b>	<b>\$2,048,500</b>

In Section Q, following Form F.1a, the applicant provides the assumptions used to project the capital cost. Exhibit F.1 contains a construction cost estimate supporting the projected site prep and construction/renovation costs. In Section F, page 34, the applicant projects that there will be no start-up costs or initial operating expenses associated with the proposed project.

**Availability of Funds**

In Section F, the applicant states the capital cost will be funded with the accumulated reserves or owner’s equity of Johnston Health Services Corporation. Exhibit F.2-1 contains a letter dated August 15, 2019 from the Chief Financial Officer for JHSC documenting its intention to provide accumulated cash reserves for the proposed project.

**Financial Feasibility**

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. JH’s fiscal year runs July 1 through June 30. In Form F.2 Revenues and Net Income Psychiatric Services, the applicant projects that operating expenses will exceed revenues for psychiatric services at JH, as summarized below.

	FY2022	FY2023	FY2024
Total Days of Care	6,931	7,135	7,345
Gross Patient Revenue	\$13,263,386	\$14,063,276	\$14,911,406
Other Revenue	\$920,484	\$948,098	\$976,541
Total Gross Revenue	\$14,183,870	\$15,011,375	\$15,887,948
Total Net Revenue	\$5,993,397	\$6,326,950	\$6,679,781
Average Net Revenue per Day	\$865	\$887	\$909
Operating Expense	\$6,580,811	\$6,779,403	\$6,984,159
Average Operating Expense per Day	\$949	\$950	\$951
Net Income (Loss)	(\$587,414)	(\$452,453)	(\$304,378)

However, Form F.2 Revenues and Net Income Johnston Health shows the entire JH healthcare system projects revenues will exceed expenses in the each of the first three full fiscal years of operation following completion of the project, as summarized in the table below.

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
Total Gross Revenue	\$1,153,931,118	\$1,206,229,500	\$1,260,900,410
Total Net Revenue	\$261,985,253	\$273,744,695	\$286,034,171
Operating Expense	\$255,259,269	\$266,386,965	\$278,005,264
Net Income	\$6,725,984	\$7,357,731	\$8,028,907

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the Pro Forma Section of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

### **Conclusion**

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital needs are based on reasonable and adequately supported assumptions.
  - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
  - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (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 applicant proposes to transfer six psychiatric inpatient beds from Broughton Hospital to Johnston Health, pursuant to Policy PSY-1, for a total of 26 psychiatric inpatient beds upon project completion.

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” Page 376 of the 2019 SMFP defines the service area for psychiatric inpatient beds as “*the catchment area for the LME-MCO for mental health, developmental disabilities and substance use disorder services in which the bed is located.*” Per Table 15A, page 378, the LME-MCO for this project is Alliance Behavioral Healthcare which includes Cumberland, Durham, Johnston and Wake counties. Facilities may also serve residents of counties not included in their service area.

According to the inventory of adult psychiatric beds in Table 15A of the 2019 SMFP (page 378), in the applicant’s LME-MCO, Alliance Behavioral Healthcare, there are eight hospitals with a total of 382 existing licensed adult psychiatric beds, as illustrated below:

<b>ALLIANCE BEHAVIORAL HEALTHCARE LME-MCO ADULT PSYCHIATRIC INPATIENT BEDS</b>				
<b>Name of Facility</b>	<b>County</b>	<b>Licensed Beds</b>	<b>License Pending</b>	<b>Total Adult Inventory</b>
Cape Fear Valley Medical Center	Cumberland	28	0	28
Duke Regional Hospital	Durham	23	0	23
Duke University Hospital	Durham	19	0	19
Johnston Health	Johnston	20	0	20
Holly Hill Hospital	Wake	197	0	197
Strategic Behavioral Center-Garner*	Wake	24	0	24
Triangle Springs	Wake	43	0	43
UNC Hospitals at WakeBrook*	Wake	28	0	28
<b>Totals</b>		<b>382</b>	<b>0</b>	<b>382</b>

Source: 2019 SMFP, Table 15A, page 378.

\* CON-approved beds which are Policy PSY-1 bed transfers from State Psychiatric Hospitals.

As depicted in the table above, there are 382 licensed adult inpatient psychiatric beds in the Alliance Health LME-MCO service area. Table 15B, page 381 of the 2019 SMFP shows the Alliance Health LME/MCO with a surplus of 85 beds. The Proposed 2020 SMFP reduces that surplus to 52 beds.

In Section G, page 38, the applicant states that JH is the only provider of adult psychiatric inpatient care in Johnston County, the existing 20-bed unit at JH operated above 90% occupancy in FY2017 through FY2019, and patients are experiencing increasingly long wait times for services. With additional adult psychiatric inpatient bed capacity, these wait times would be considerably shorter. The applicant further states:

*“In consideration of these factors, Johnston Health does not believe the proposed project will result in an unnecessary duplication of psychiatric beds in the LME/MCO.”*

The applicant does not propose to develop new adult psychiatric inpatient beds, but rather proposes to transfer six existing beds from Broughton Hospital to JH. In the “Memorandum of Agreement for the Transfer of Inpatient Psychiatric Beds from Broughton Hospital to Johnston Health”, the applicant agrees to comply with Policy PSY-1, which requires that the applicant “serve those people who would have been served by the state psychiatric hospitals”. Representatives of Johnston Health, the Department of Health and Human Services (DHHS), and the Alliance Health LME-MCO signed the MOA indicating their understanding of and support for the transfer of the six inpatient psychiatric beds to JH.

The applicant adequately demonstrates the need for six additional beds for a total of 26 adult inpatient psychiatric beds at JH. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- The applicant adequately demonstrates that the 26 adult psychiatric inpatient beds are needed at JH in addition to the existing and approved psychiatric beds.
- The applicant adequately demonstrates its proposal would not result in an increase in the inventory of psychiatric inpatient beds in the state.
- The applicant adequately demonstrates that it will serve those individuals that would have been served in the transferred beds at Broughton Hospital.

**Conclusion**

The Agency reviewed the:

- application, and
- exhibits to the application.
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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 Q Form H, the applicant provides the current and projected staffing for the proposed psychiatric inpatient services at JH in full-time equivalent (FTE) positions, as summarized in the following table.

Position	Existing	Projected
	As of June 30, 2019	FY2022-FY2024
RNs or LPNs	21.58	22.58
Activities	2.31	2.81
Administration	3.74	4.49
Certified Nursing Assistants	15.23	16.23
Clinical Coordinator	0.83	0.83
Social Workers	5.46	6.96
<b>TOTAL</b>	<b>49.15</b>	<b>53.90</b>

Source: Section Q Form H

The assumptions and methodology used to project staffing are provided in Section Q, Form H Assumptions. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.3 of the pro forma financial statements. In Section H, pages 40-41, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

### **Conclusion**

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that 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 I.1, page 42, the applicant describes the ancillary and support services that are currently provided and will continue to be provided by the hospital for the proposed services, including psychiatry, nursing, medical services, social services, therapies, pharmacy, dietary, case management, housekeeping, engineering and maintenance, and JH administrative services. Exhibit I.1 contains a letter from the CEO of JHSC documenting the intent to provide the above services.

In Section I.2, page 42, the applicant describes its existing and proposed relationships with other local health care and social service providers. Exhibit I.2 contains letters from physicians across the LME/MCO expressing their support and intent to refer patients.

On page 43, the applicant states that Hasan Baloch, M.D. provides medical direction for JH psychiatric services. Exhibit I.3 contains a letter from Dr. Baloch expressing his support for the project and his intent to continue to provide medical direction.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

## Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that 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

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to HSA VI where the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction

project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

## C

In Section K, page 45, the applicant states that the project involves the construction of 5,369 square feet of new space and the renovation of 580 square feet of existing space at JH. Line drawings are provided in Exhibit C.1.

In Section K.3(a), page 45, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

In Section K.3(b), page 45, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

In Section B, page 13 and Exhibit B.6, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation.

### **Conclusion**

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that the application is conforming to this criterion.

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



C

In Section L, page 49, the applicant provides the historical payor mix for the fiscal year ended June 30, 2019 for the proposed services, as summarized in the table below.

Payment Source	Percent of Total Psychiatric Patient Days
Self-Pay	0.9%
Insurance*	15.8%
Medicare*	25.5%
Medicaid*	25.6%
Other (3-way Beds and Other Govt.)	32.2%
<b>Total</b>	<b>100.0%</b>

Source: Table on page 49 of the application.

\*Including any managed care plans

Total may not foot due to rounding.

In Section L, page 48, the applicant provides the following comparison.

	% of Total Patients Served at JH during Last Full FY	% of the Population of Alliance Health LME/MCO
Female	60.7%	51.3%
Male	39.3%	48.7%
Unknown	0.0%	0.0%
64 and Younger	71.5%	87.9%
65 and Older	28.5%	12.1%
American Indian	0.1%	1.0%
Asian	0.2%	5.7%
Black or African-American	24.4%	26.3%
Native Hawaiian or Pacific Islander	0.0%	0.2%
White or Caucasian	64.5%	64.0%
Other Race	9.7%	2.9%

**Source:** JH internal data, NC OSBM population data, and US Census Bureau Quick Facts

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services. 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

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L.2, page 49, the applicant states that JH has no obligation under any applicable federal regulations to provide uncompensated care, community service or access by minorities and handicapped persons.

In Section L, page 49, the applicant states that during the last five years, no patient civil rights access complaints have been filed against JH facilities.

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that 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 L, page 50, the applicant projects the following payor mix for psychiatric inpatient beds at JH during the third full fiscal year of operation (FY2024) following completion of the project, as shown in the following table.

Payment Source	Percent of Total Psychiatric Patient Days
Self-Pay	0.9%
Insurance*	15.8%
Medicare*	25.5%
Medicaid*	25.6%
Other (3-way Beds and Other Govt.)	32.2%
<b>Total</b>	<b>100.0%</b>

Source: Table on page 50 of the application.

\*Including any managed care plans

Total may not foot due to rounding.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.9% of total services will be provided to self-pay patients, 25.5% to Medicare patients and 25.6% to Medicaid patients.

In Section L, page 50, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the experience of the existing psychiatric inpatient services at JH.

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that 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 L.5, page 51, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

C

In Section M, page 52, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes.

### **Conclusion**

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
  - (16) Repealed effective July 1, 1987.
  - (17) Repealed effective July 1, 1987.
  - (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

## C

The applicant proposes to transfer six adult psychiatric inpatient beds from Broughton Hospital to Johnston Health, pursuant to Policy PSY-1, for a total of 26 psychiatric inpatient beds at JH upon project completion.

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” Page 376 of the 2019 SMFP defines the service area for psychiatric inpatient beds as “*the catchment area for the LME-MCO for mental health, developmental disabilities and substance use disorder services in which the bed is located.*” Per Table 15A, page 378, the LME-MCO for this project is Alliance Behavioral Healthcare which includes Cumberland, Durham, Johnston and Wake counties. Facilities may also serve residents of counties not included in their service area.

According to the inventory of adult psychiatric beds in Table 15A of the 2019 SMFP (page 378), in the applicant’s LME-MCO, Alliance Behavioral Healthcare, there are eight hospitals with a total of 382 existing licensed adult psychiatric beds, as illustrated below:

<b>ALLIANCE BEHAVIORAL HEALTHCARE LME-MCO ADULT PSYCHIATRIC INPATIENT BEDS</b>				
Name of Facility	County	Licensed Beds	License Pending	Total Adult Inventory
Cape Fear Valley Medical Center	Cumberland	28	0	28
Duke Regional Hospital	Durham	23	0	23
Duke University Hospital	Durham	19	0	19
Johnston Health	Johnston	20	0	20
Holly Hill Hospital	Wake	197	0	197
Strategic Behavioral Center-Garner*	Wake	24	0	24
Triangle Springs	Wake	43	0	43
UNC Hospitals at WakeBrook*	Wake	28	0	28
<b>Totals</b>		<b>382</b>	<b>0</b>	<b>382</b>

Source: 2019 SMFP, Table 15A, page 378.

\* CON-approved beds which are Policy PSY-1 bed transfers from State Psychiatric Hospitals.

The applicant does not propose to develop new adult inpatient psychiatric beds, but rather to transfer six inpatient psychiatric beds from Broughton Hospital, a state hospital, to JH.

In Section N, pages 53-55, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. The applicant states:

*“The proposed relocation will have a positive impact on the cost effectiveness of providing adult psychiatric inpatient care in Johnston County. As Johnston Health is the only provider of adult psychiatric inpatient care in Johnston County, patients in need must be transferred to a neighboring county facility if capacity is unavailable. . . . the cost and sometimes cumbersome process of transferring a patient due to lack of capacity increases the overall cost for the episode of care.*

...

*Johnston Health also has numerous policies and procedures in place specifically to guide provision of quality care and ensure patient safety in its adult psychiatric inpatient unit. Please see Exhibit N.2-2 for copies of these policies.*

...

*Johnston Health prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability, or the patient’s ability to pay.*

...

*As previously noted, Johnston Health is the only provider of adult psychiatric inpatient care in Johnston County and the proposed relocation is needed to provide greater access for all patients to this vital service, including medically underserved groups.”*

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- The cost-effectiveness of the proposal (see Sections F and Q of the application and any exhibits)
- Quality services will be provided (see Section O of the application and any exhibits)
- Access will be provided to underserved groups (see Section L of the application and any exhibits)

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

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

### C

In Section A, the applicant states that JHSC owns and operates Johnston Health and does not own or operate any other approved psychiatric facilities or acute care hospitals with psychiatric beds located in North Carolina.

In Section O, page 57, the applicant states that, during the 18 months immediately preceding submission of the application, no incidents related to quality of care leading to determinations of immediate jeopardy occurred at JH. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred at Johnston Health. 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, the applicant provided sufficient evidence that quality care has been provided in the past. 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.

### **.2603 PERFORMANCE STANDARDS**

- (a) *An applicant proposing to add psychiatric beds in an existing facility shall not be approved unless the average occupancy over the six months immediately preceding the submittal of the application of the total number of licensed psychiatric beds within the facility in which the beds are to be operated was at least 75 percent.*
- C- In Section C.8, page 26, the applicant provides historical utilization for the last six months immediately preceding submittal of the application, July 1, 2018 through June 30, 2019. JH had a six-month average occupancy rate of 93% which exceeds the 75% average occupancy required by this Rule.
- (b) *An applicant proposing to establish new psychiatric beds shall not be approved unless occupancy is projected to be 75% for the total number of licensed psychiatric beds proposed to be operated in the facility no later than the fourth quarter of the second operating year following completion of the project.*
- NA- The applicant is not proposing to establish new psychiatric beds.