

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: September 7, 2021

Findings Date: September 7, 2021

Project Analyst: Kim Meymandi

Team Leader: Fatimah Wilson

Project ID #: Q-12078-21

Facility: Haven at Blue Creek

FID #: 210370

County: Pitt

Applicant(s): Haven at Blue Creek, Inc.

RB4 Investments, LLC

Project: Develop a new chemical dependency treatment facility with no more than 70 adult chemical dependency treatment beds pursuant to an adjusted need determination in the 2021 SMFP

## REVIEW CRITERIA

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

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

C

Haven at Blue Creek, Inc. and RB4 Investments, LLC (hereinafter collectively referred as “the applicant”) proposes to develop a new chemical dependency treatment (CDT) facility with no more than 70 adult (CDT) beds pursuant to an adjusted need determination in the 2021 State Medical Facilities Plan (SMFP).

### **Need Determination**

On December 29, 2020, Governor Roy Cooper amended the 2021 SMFP to include an adjusted need determination for 70 adult substance use disorder inpatient/residential treatment beds in the Eastern Region. The applicant proposes to develop no more than 70 adult CDT beds in

Pitt County, which is in the Eastern Region; therefore, the application is consistent with the adjusted need determination in the 2021 SMFP for 70 adult CDT beds in the Eastern Region service area.

### **Policies**

There are three policies in the 2021 SMFP applicable to this review: Policy MH-1: Linkages between Treatment Settings, Policy GEN-3: Basic Principles, and GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

**Policy MH-1**, on page 25 of the 2021 SMFP, states:

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

In Exhibit B.14-1, the applicant provides a letter from Trillium Health Resources, the LME/MCO for Pitt County expressing support for the proposal. The application is consistent with Policy MH-1.

**Policy GEN-3**, on page 29 of the 2021 SMFP, states:

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

### **Promote Safety and Quality**

In Section B, pages 26-30, the applicant describes how it believes the proposed project will promote safety and quality. On page 27, the applicant states, *“HBC [Haven at Blue Creek] is committed to promoting safety and quality in the delivery of residential adult chemical dependency treatment services.”*

The information provided by the applicant is reasonable and supports the determination that the applicant’s proposal will promote safety and quality.

### **Promote Equitable Access**

In Section B, page 30 and Exhibit B.20-5, the applicant describes how it believes the proposed project will promote equitable access and provides a draft of the policies and procedures designed to assure such. On page 30, the applicant states:

*“HBC Is committed to promoting equitable access in the provision of residential adult chemical dependency treatment services without regard to sex, race, creed, color, national origin, or disability condition, as evidenced by the following Access Policies included for reference as Exhibit B.20-5.*

- *Underserved Patients and Scholarships Policy (Policy Number 1014). HBC will make accommodations in accordance with the service fee rates and availability of scholarships for underserved patients seeking admission into HBC's residential adult chemical dependency treatment program, as determined by HBC's director of finance, CEO, and board of directors. These accommodations will include lower cost and no cost scholarships to allow underserved populations to be admitted into a residential setting that otherwise may not have been feasible due to the cost of care.*
- *Personnel to Meet Special Needs Policy (Policy Number 1119). This policy indicates that HBC will recruit Hispanic Spanish speaking bilingual staff, as well as African American staff and other minorities to ensure the provision of culturally competent care to underserved minority populations. In addition, HBC will seek to hire personnel capable of communicating with deaf and/or blind patients.*
- *Therapeutic Environment Policy (Policy Number 611). In accordance with HBC's therapeutic environment policy the development of the proposed facility has been designed so that the HBC facility will be accessible to handicapped individuals. All offices, bathrooms, sidewalks, buildings, and entryways will be equipped to ensure access to any handicapped patient, family, or staff.”*

The information provided by the applicant is reasonable and supports the determination that the applicant’s proposal will promote equitable access.

#### Maximize Healthcare Value

In Section B, pages 30-31, the applicant describes how it believes the proposed project will maximize healthcare value. On page 31, the applicant states:

*“In order to reduce costs and maximize value, HBC will incorporate four of the six existing buildings into the overall campus, each of which will support the proposed facility, as discussed further in section C.1. Because HBC will be developing the proposed project on land that was previously partially developed, HBC will reduce costs through the use of existing utilities and limit site impact by avoiding major water or drainage features thanks to the existing ponds and burms.”*

The information provided by the applicant with regard to its efforts to maximize healthcare value is reasonable and supports the determination that the applicant’s proposal will maximize healthcare value.

The applicant adequately demonstrates how its proposal incorporates the concepts of quality, equitable access, and maximum value for resources expended in meeting the facility need as identified by the applicant. Therefore, the application is consistent with Policy GEN-3.

#### **Policy GEN-4**

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 29 of the 2021 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, 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 is 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 \$5.0 million. In Section B, page 32, the applicant describes the project’s plan to improve energy efficiency and conserve water. On page 32, the applicant states:

*“The chemical dependency treatment facility proposed in this application, Haven at Blue Creek, will provide services in conformity with applicable state and local laws and regulations pertaining to zoning, physical environment, energy efficiency, water supply, waste disposal and all other relevant health and safety requirements. Of note, all construction and renovation involved in the development of the proposed chemical dependency treatment facility as well as other related services located on the Haven at Blue Creek campus that will support the proposed facility will be compliant with North Carolina’s 2018 Building and Energy Codes and the 2015 International Energy Conservation Code (IECC).”*

The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

## **Conclusion**

The Agency reviewed the:

- Application
- 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 does not propose to develop more adult chemical dependency beds than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy MH-1, Policy GEN-3 and Policy GEN-4 for the following reasons:
  - The applicant adequately documents that the affected LME/MCO, Trillium Health Resources has been contacted and invited to comment on the proposed project.
  - The applicant adequately documents how the project will promote safety and quality in the delivery of adult chemical dependency services in Pitt County;
  - The applicant adequately documents how the project will promote equitable access to adult chemical dependency services in Pitt County; and
  - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
  - The applicant adequately demonstrates that the application includes 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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

## C

The applicant proposes to develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP. In Section C.1, pages 33-40, the applicant describes the project as follows:

*“The proposed adult chemical dependency treatment beds will be developed as part of a state-of-the-art residential facility in the Greenville area of Pitt County. As detailed in the proposed site plan included in Exhibit C. 1-1, the proposed 261 acre campus will house not only the 70*

*adult chemical dependency treatment beds, which are the subject of this certificate of need (CON) application, but also various related services which will support the proposed facility and enhance the effectiveness of the care delivered period of note, Haven at Blue Creek will offer the following services:*

- *70 adult chemical dependency treatment beds (including 12 executive program beds);*
- *14 detox beds [not subject to CON review]; and*
- *Various rehabilitation, therapy, and recreational services.*

*As discussed in Section K, development of the Haven at Blue creek campus will involve 100,600 square feet of new construction and 8,608 square feet of renovation. As noted previously, RB4 Investments, LLC (related to HBC through common ownership) will own the buildings and the land and will lease the buildings and the land to HBC.”*

### **Patient Origin**

N.C.G.S. §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.*” On page 293, the 2021 SMFP states, “*A chemical dependency treatment bed’s service area, for purposes of the State Medical Facilities Plan, is the substance use disorder services region in which the bed is located. Regions are comprised of Licensed Management Entities-Managed Care Organizations (LME-MCO). The North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services of the Department of Health and Human Services establishes the LME-MCOs. Table 15B lists the LME-MCOs and their constituent counties that comprise the three regions for substance use disorder services.*” In Table 15B, page 297 of the 2021 SMFP, Pitt County is included in the Eastern Region of the state. Thus, the service area for this facility consists of counties in the Eastern Region on Table 15B. Facilities may also serve residents of counties not included in their service area.

On page 40, the applicant states there is no historical patient origin data as the proposed project does not involve an existing facility. On page 42, the applicant identifies the projected patient origin for adult CDT patients at HBC for the first three (3) fiscal years (FY), as shown below.

**HBC Projected Patient Origin – Adult Chemical Dependency  
 Treatment Beds**

	<b>1<sup>st</sup> Full FY (1/1/2023- 12/31/2023)</b>		<b>2<sup>nd</sup> Full FY (1/1/2024- 12/31/2024)</b>		<b>3<sup>rd</sup> Full FY (1/1/2025- 12/31/2025)</b>	
<b>County</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>
Pitt	93	20%	140	20%	159	20%
Craven	49	11%	73	11%	83	11%
Wilson	42	9%	63	9%	71	9%
Lenoir	28	6%	43	6%	48	6%
Edgecombe	26	6%	38	6%	43	6%
Beaufort	24	5%	37	5%	42	5%
Martin	12	3%	18	3%	20	3%
Greene	11	2%	16	2%	18	2%
Other*	172	38%	257	38%	292	38%
<b>TOTAL</b>	<b>456</b>	<b>100.0%</b>	<b>684</b>	<b>100.0%</b>	<b>776</b>	<b>100.0%</b>

\*Other includes: Bertie, Bladen, Brunswick, Camden, Carteret, Chowan, Columbus, Currituck, Dare, Duplin, Gates, Hertford, Hyde, Jones, Nash, New Hanover, Northampton, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Robeson, Sampson, Scotland, Tyrell, Washington, and Wayne counties

In Section C, pages 41-42 and Form C, the applicant provides the assumptions and methodology it used to project patient origin. The applicant states that based on a review of License Renewal Applications (LRAs) for residential adult CDT facilities in the state, they project 62% of patients will originate from Pitt County and the seven contiguous counties. The applicant projects that the remaining 38% of patients will originate from the remaining 28 counties in the Eastern Region. The applicant bases distribution of patient origin on the 2021 adult population distribution of the counties as reported by the North Carolina Office of State Budget and Management (NCOSBM). The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant bases the projected patient origin on the patient origins of similar facilities in the state.
- The applicant uses NCOSBM adult population distributions of the service area to project patient origin distributions.

**Analysis of Need**

In Section C.4, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On pages 44-63, the applicant states that the specific need for the project is based on the following factors:

- The adjusted need for additional adult CDT beds in the Eastern Region (pages 45-49).
- The demographics of the Eastern Region (pages 49-58).

- The impact of chemical dependency and substance use disorders (pages 58-61).
- The need for proposed services to be provided in a residential setting (pages 61-63).

The information is reasonable and adequately supported based on the following:

- There is an adjusted need determination in the 2021 SMFP for seventy adult substance use disorder inpatient/residential treatment beds in the Eastern Region.
- The applicant provides reasonable information to support area residents' need for access to adult chemical dependency residential services.
- The applicant uses reasonable demographic data to make assumptions regarding the population to be served, and the need for the proposed services.
- The applicant provides reasonable information regarding the lack of chemical dependency residential services in the Eastern Region and documents widespread support for the project.

### *Projected Utilization*

In Section Q, Form C.1b, the applicant projects utilization for the 70 adult substance use disorder beds as illustrated in the following table:

	1 <sup>st</sup> Full FY CY2023	2 <sup>nd</sup> Full FY CY2024	3 <sup>rd</sup> Full FY CY 2025
# of CDT Beds	70	70	70
Days of Care	12,775	19,163	21,718
Occupancy Rate	50.0%	75.0%	85.0%

In Section Q, the applicant provides the assumptions and methodology used to project utilization, as summarized below:

- The applicant states that it begins by projecting the adult population in the Eastern Region with an identified substance use disorder using data from NCOSBM and based on information from the 2019 National Survey on Drug Use and Health (NSDUH) and calculates the number of adults (7.7%) likely to be identified with a substance use disorder and the number of adults in the Eastern Region likely to seek treatment for a substance use disorder (10.3%).
- Based on statistics from the 2005-2015 Treatment Episode Data Set (TEDS) National Admissions to Substance Abuse Treatment Services report, the applicant assumes that 16% of the population in the Eastern Region seeking treatment will require admission to a chemical dependency treatment bed.
- The applicant assumes, based on the TEDS report and industry standards, a 28-day average length of stay for adult CDT residential care.
- The applicant calculates the percentage of CDT beds this project would provide in the Eastern Region if approved by dividing the number of proposed CDT beds (70) by the total number of CDT beds in the Eastern Region upon project completion (150) [ $70 \div 150 = 46.7\%$ ] and applies this percentage to the projected days of care for adult

residential CDT in the Eastern Region to calculate potential patient days of care for HBC.

- The applicant assumes occupancy rates of 50%, 75% and 85% respectively for project years one, two and three and a 28-day average length of stay (ALOS).

The table below summarizes the applicant’s assumptions and calculations.

**Projected Eastern Region Adult Population  
 Likely to Seek Chemical Dependency Treatment**

	CY2021	CY2022	CY2023	CY2024	CY2025	Assumptions
Total Adult Population in the Eastern Region	1,705,438	1,717,919	1,731,410	1,745,300	1,759,611	
Adult Population with a Substance Use Disorder	131,319	132,280	133,319	134,388	135,490	7.7%*
Adult Population likely to Seek Treatment	13,526	13,625	13,732	13,842	13,955	10.3%*
Adults Requiring Residential CDT	2,164	2,180	2,197	2,215	2,233	16.0%*
Days of Care for Adult Residential CDT	60,596	61,039	61,519	62,012	62,521	28 days
HBC Potential Days of Care	28,278	28,485	28,709	28,939	29,176	46.7%
HBC Adult CDT Beds	0	0	70	70	70	
HBC Occupancy Rate			50%	75%	85%	
HBC Projected Days of Care**			12,775	19,163	21,718	
HBC Projected Number of Patients***			456	684	776	

\*Source: 2019 NSDUH

\*\*Patient Days = 70 beds x 365 days x occupancy rate

\*\*\*Patients = Patient days / 28-day ALOS

- The applicant assumes the utilization rates in the Eastern Region and the 2021 SMFP 2023 projected days of care are significantly lower than the Western Region, the Central Region, and the state overall due to decreased access in the Eastern Region to residential CDT facilities.

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

- The 2021 SMFP contains an adjusted need for 70 adult substance use disorder inpatient/residential treatment beds in the Eastern Region.
- The applicant uses population growth data for the Eastern Region and national data regarding substance disorders and treatment utilization.
- The applicant projects days of care and occupancy rates using industry standards for ALOS.
- The applicant provides letters from other healthcare providers, referral sources, residents and leaders from the community and state level expressing support for the proposed project. See Exhibits C.4-1, C.4-2 and I-2.

## **Access to Medically Underserved Groups**

In Section C, page 70, the applicant states:

*“HBC is committed to providing residential adult chemical dependency treatment services without regard to sex, race, creed, color, national origin or disability conditions as evidenced by HBC access policies found in previously referenced Exhibit B.20-5...”*

On page 71, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

<b>Medically Underserved Groups</b>	<b>Percentage of Total Patients</b>
Low income persons	
Racial and ethnic minorities	34.6%
Women	31.5%
Persons with disabilities	
Persons 65 and older	0.5%
Medicare beneficiaries	0.0%
Medicaid recipients	0.0%

The applicant states on page 71 that they do not have data for the number of low income or individuals with disabilities and Medicare and Medicaid programs do not reimburse for residential chemical dependency treatment programs; however, HBC is committed to serving all patients regardless of their ability to pay through its proposed Underserved Patients and Scholarships Policy, which is expected to account for 1.7% of total patients.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant provides an estimated percentage of each medically underserved group to be served based on 2018 SAMHSA data for substance use disorder patients in North Carolina.
- The applicant provides written statements about offering access to all patients of the service area and proposes an Underserved Patients and Scholarships Policy to account for 1.7% of total patients.

## **Conclusion**

The Agency reviewed the:

- Application
- 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 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 the 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 and adequately supports their 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, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

NA

The applicant does not propose to reduce a service, eliminate a service, or relocate a facility or 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 develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP.

In Section E, pages 83-84, 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 this was not an effective alternative due to the fact that it would not meet the need for adult CDT beds in a residential setting in the Eastern Region as the only options which currently exist in the Eastern Region are hospital based CDT beds which limits privacy and the range of therapeutic activities possible.
- Develop the proposed facility with fewer adult CDT beds – The applicant states this alternative would limit the number of patients that could receive treatment and the number of medical residents and students able to benefit from training at the facility.
- Develop the proposed facility at a different site – the applicant states this alternative is not an effective alternative because Pitt County, where the site of the proposed facility will be located is the most populous county in the Eastern Region and the only county without an existing CDT facility. The applicant states that the proposed site has

amenities suitable for a residential treatment facility and will save time and money in comparison to alternative sites.

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 applicant provides credible information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all statutory and regulatory review criteria. Therefore, the application can be approved.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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. Haven at Blue Creek, Inc. and RB4 Investments, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a chemical dependency treatment facility with no more than 70 adult chemical dependency treatment beds pursuant to an adjusted need determination in the 2021 SMFP.**
- 3. Upon completion of the project, Haven at Blue Creek shall be licensed for no more than 70 adult chemical dependency treatment beds.**
- 4. Progress Reports:**
  - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
  - b. The certificate holder shall complete all sections of the Progress Report form.**
  - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
  - d. Progress reports shall be due on the first day of every fifth month. The first progress report shall be due on March 1, 2022. The second progress report shall be due on August 1, 2022 and so forth.**

5. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
  6. **No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder 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.**
  7. **The certificate holder shall 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.**
  8. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency 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 applicant proposes to develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP.

**Capital and Working Capital Costs**

In Section Q, Form F.1a, the applicant projects the total capital cost of the project as shown below in the table:

**Proposed Capital Cost**

Purchase Price of Land	\$4,000,000
Site Preparation	\$2,500,000
Construction/Renovation Contract(s)	\$22,250,000
Landscaping	\$500,000
Architect/Engineering Fees	\$2,250,000
Medical Equipment	\$85,000
Non Medical Equipment	\$1,200,000
Furniture	\$1,155,000
Interest During Construction	\$500,000
Other (Contingency)	\$4,000,000
<b>Total</b>	<b>\$38,440,000</b>

In Sections F and Q, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant states the costs are based on the experience of the project architect’s work on similar projects and vendor estimates and provides supporting documentation in Exhibit F.1.

In Section F, pages 88-89, the applicant projects that start-up costs will be \$1,069,871 and initial operating expenses will be \$3,128,274 for a total working capital of \$4,198,145. On page 89 and Section Q, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the information regarding projected start-up costs and initial operating expenses provided on pages 88-89 and in Section Q.

**Availability of Funds**

In Section F, page 86, the applicant states that the capital cost will be funded as shown in the table below.

**Sources of Capital Cost Financing**

Type	HBC, Inc.	RB4 Investments, LLC	Total
Loans	\$0	\$0	\$0
Accumulated reserves or OE *	\$3,440,000	\$35,000,000	\$38,440,000
Bonds	\$0	\$0	\$0
Other**	\$0	\$0	\$0
<b>Total Financing</b>	<b>\$3,440,000</b>	<b>\$35,000,000</b>	<b>\$38,440,000</b>

\* OE = Owner’s Equity

In Exhibit F.2, the applicant provides letters dated May 14, 2021, from Colleen Balot, Chief Executive Officer for HBC, Inc. and Rich Balot, Manager for RB4 Investments, LLC documenting their intentions to provide accumulated reserves to finance the proposed project. Exhibit F.2 found in the paper application, contains a letter dated April 28, 2021, from Richard

Balot's Wealth Advisor, Jonathan Straub, Principal for AdvicePeriod, LLC, documenting sufficient liquid net worth for Mr. Balot to finance \$45,000,000.

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project based on the following:

- Exhibit F.2 contains letters from Rich and Coleen Balot documenting that HBC, Inc. and RB4 Investments, LLC intend to fund the total projected capital cost of the project with accumulated reserves.
- The letter in Exhibit F.2 states that the Balots have sufficient assets available for financing the capital and working capital expenditures.

### **Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. On Form F.2 in Section Q, the applicant projects revenues will exceed operating expenses in the second and third full fiscal years following completion of the project, and provided the calculations shown in the table below.

<b>HBC Projected Revenue &amp; Expenses</b>			
<b>FYs 1-3 (CYs 2023-2025)</b>			
	<b>FY 1 (CY 2023)</b>	<b>FY 2 (CY 2024)</b>	<b>FY 3 (CY 2025)</b>
Total Days of Care	12,775	19,163	21,718
Total Gross Revenue (Charges)	\$12,483,000	\$19,286,235	\$22,513,465
Total Net Revenue	\$10,152,912	\$15,676,249	\$18,296,661
Average Net Revenue per Day of Care	\$795	\$818	\$843
Total Operating Expenses (Costs)	\$10,889,998	\$14,272,306	\$16,581,799
Average Operating Expense per Day of Care	\$853	\$745	\$764
<b>Net Income</b>	<b>(\$737,087)</b>	<b>\$1,403,943</b>	<b>\$1,714,863</b>

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant accounts for projected operating expenses, such as salaries, consistent with projections elsewhere in the application.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
  - The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.
  - 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 revenues and operating expenses for all the reasons described above.
- (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 develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP.

N.C.G.S. §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.” On page 293, the 2020 SMFP states, “A chemical dependency treatment bed’s service area, for purposes of the State Medical Facilities Plan, is the substance use disorder services region in which the bed is located. Regions are comprised of Licensed Management Entities-Managed Care Organizations (LME-MCO). The North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services of the Department of Health and Human Services establishes the LME-MCOs. Table 15B lists the LME-MCOs and their constituent counties that comprise the three regions for substance use disorder services.” In Table 15B, page 297 of the 2021 SMFP, Pitt County is included in the Eastern Region of the state. Thus, the service area for this facility consists of counties in the Eastern Region on Table 15B. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved adult chemical dependency (substance use disorder) beds located in the Eastern Region, from page 296 of the 2021 SMFP and the days of care reported on the 2021 License Renewal Applications (LRAs).

LME/MCO	COUNTY	FACILITY	# BEDS IN PLANNING INVENTORY	TOTAL LICENSED BEDS	DAYS OF CARE
<b>EASTPOINTE</b>					
Residential	Robeson	Community Outreach Youth Services	8	8	138
<b>Trillium</b>					
Hospital	Nash	Nash General Hospital	16	16	1,437
	New Hanover	The Wilmington Treatment Center	44	44	13,343
	Onslow	Brynn Marr Behavioral Health System	12	12	1,706

Source: Table 15A, 2021 State Medical Facilities Plan and LRAs

In Section G, pages 97-98, the applicant explains why they believe its proposal would not result in the unnecessary duplication of existing or approved services in the proposed service area. The applicant states:

*“...there are currently no residential adult chemical dependency treatment facilities in the Eastern Region. While there are three existing adult chemical dependency treatment facilities within the region, each is hospital-based...[T]he Eastern Region has by far the lowest use rate of chemical dependency treatment beds in the state, which HBC believes is directly attributable to the lack of access to a residential versus hospital-based facility setting.*

...

*The proposed Haven at Blue Creek facility will provide access to residential adult chemical dependency treatment services for the first time in the Eastern Region and will offer progressive evidence-based practices on a state-of-the-art campus unlike anything else available in the region today.”*

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

- There is an adjusted need determination in the 2021 SMFP for 70 additional adult chemical dependency treatment beds in the Eastern Region and the applicant proposes to develop 70 adult chemical dependency treatment beds in Pitt County (Eastern Region).
- The applicant adequately demonstrates that the proposed adult CDT beds are needed in addition to the existing or approved CDT beds in Pitt County (Eastern Region).

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was 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

The applicant proposes to develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP.

In Section Q, Form H, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

<b>Position</b>	<b>FY1 (CY2023)</b>	<b>FY2 (CY2024)</b>	<b>FY3 (CY2025)</b>
Medical Director	1.0	1.0	1.0
Nurse Manager	1.0	1.0	1.0
Nursing Staff	9.0	12.8	16.8
Additional NP	0.5	0.8	1.2
Nursing Staff PT	1.0	2.0	2.5
Counselor 1-Actiivity/Rec	1.0	1.0	1.0
Counselor 2	2.0	4.0	5.0
Counselor 3	1.0	1.0	1.0
Counselor 4	1.0	1.0	1.0
Counselor 5/Adm	1.0	2.0	3.0
Counselor 6/Adm	1.0	1.0	1.0
Case Mgt	2.0	3.0	4.0
Call Center	4.2	6.6	7.8
CEO	0.8	0.8	0.8
CRO	0.8	0.8	0.8
Administrative Assistant	0.8	0.8	0.8
Business Office Manager	0.8	0.8	0.8
CFO	0.8	0.8	0.8
RA	9.0	16.8	21.0
RA Supervisor	0.8	1.0	1.0
Spiritual/Supervisor BHT	0.8	1.0	1.4
Clerical/Discharge	2.0	3.5	4.0
Gift Shop	0.8	0.8	0.8
Marketing/Admissions	0.8	0.8	0.8
Marketing	0.8	0.8	0.8
Admissions Counselor	0.8	0.8	0.8
<b>Totals*</b>	<b>45.8</b>	<b>67.0</b>	<b>81.2</b>

Source: Form H in Section Q of the application.

\*Totals may not foot due to rounding

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, pages 100-101, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs. In Exhibit I.1, the applicant provides a letter from Denise Bertin-Epp, Chief Readiness Officer at HBC, indicating her role in overseeing the ancillary and support services at the facility and her support for approval of the application.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant projects the initial and future FTE staffing positions necessary to accommodate the proposed healthcare services at HBC.

- The costs and yearly increases are accounted for in the budgeted Operating Costs.
- The methods used to recruit or fill new positions and the existing training and continuing education programs are provided.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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

The applicant proposes to develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP.

### **Ancillary and Support Services**

In Section I, page 103, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 103-105, the applicant briefly explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant describes how ancillary and support services will be provided directly by the staff at HBC.
- The applicant provides information regarding the recruitment, retention and training of employees providing the support services.

### **Coordination**

In Section I, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibits B.14-2 and I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system because the applicant provides documentation that it has existing relationships with other local health care and social service providers.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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 the HSA in which 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.

- (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 applicant proposes to develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP.

In Section K, page 109, the applicant states that the project involves constructing 100,600 square feet of new space and renovating 8,608 square feet of existing space. Line drawings are provided in Exhibit C.1-1.

In Section K, pages 111-112, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. Supporting documentation is provided in Exhibits K.4. The site appears to be suitable for the proposed project based on the applicant's representations and supporting documentation.

In Section K, pages 109-110, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states HBC will incorporate four of the six existing buildings into the overall campus and these buildings will support the proposed facility.
- The applicant states that site was previously partially developed, and the existing utilities and water drainage features will aid in the reduction of development costs.
- The applicant states that each part of HBC will serve to enhance the comfort of patients and their families and promote a holistic recovery.

In Section K, page 110, 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 based on the following:

- The proposed project will offer better access to residential CDT beds in the Eastern Region, alleviating the need for individuals in the area to travel long distances.
- The applicant states that the project consists of renovating 8,608 feet of existing space and utilizing partially developed land.
- The applicant states that adequate private funding exists for the development of the project which avoids the need to increase costs or charges to the public.

In Section B, page 32, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

### **Conclusion**

The Agency reviewed the:

- Application

- Exhibits to the application

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

(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 ... persons [with disabilities], 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;

NA

The applicant does not own, operate or manage an existing residential CDT facility in the service area. Therefore, Criterion 13(a) is not applicable to this review.

- (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 ... persons [with disabilities] to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

NA

The applicant does not own, operate or manage an existing residential CDT facility in the service area. Therefore, Criterion 13(b) is not applicable to this review.

- (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 116, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below:

PAYOR CATEGORY	% OF TOTAL PATIENTS SERVED
Self-Pay	17.1%[32.1%]
Charity Care^	1.7% [1.4%]
Medicare*	0.0%
Medicaid*	0.0%
Insurance*	81.2%[66.5%]
<b>Total</b>	<b>100.0%</b>

\*including any managed care plans.

^HBC will serve charity care patients through its Underserved Patients and Scholarships Policy

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 17.1% of total services will be provided to self-pay patients, 1.7% to Charity Care patients, 81.2% to Commercial Insurance and 0.0% to Medicare and Medicaid patients. Calculations done by the Project Analyst, based on information provided by the applicant in Section Q, Form F.2b, are shown in [] and vary from the projections of the applicant.

In Section L, page 117, the applicant provides the assumptions and methodology used to project payor mix during the first three (3) full fiscal years of operation following completion of the project. While the Project Analyst identified inconsistencies in the payor mix percentages based on total patient services gross revenue, the projected payor mix remains reasonable and adequately supported based on the following:

- Medicare and Medicaid do not provide reimbursement for residential CDT.
- The applicant has in place an Underserved and Patients and Scholarship Policy which is expected to account for a reasonable percentage of total patients and the applicant accounts for remaining payor mix with commercially insured and private pay patients.
- Inconsistencies identified by the Project Analyst do not sufficiently alter the applicant's intent to serve a reasonable percentage of underserved groups.
- In Exhibit B.20-5, the applicant provides the Underserved Patients and Scholarships Policy which specifies the provision of lower cost and no cost scholarships based on patient need and the ability to afford.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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, pages 118-119, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- 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

The applicant proposes to develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP.

In Section M, pages 120-121, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- In Exhibit C.4-2, the applicant provides numerous letters of support demonstrating relationships with numerous academic institutions in the area and their willingness to support the proposal.
- The applicant states they will provide experiential training to local medical students, interns and fellows.

The Agency reviewed the:

- Application
- 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 develop a new CDT facility with no more than 70 adult CDT beds pursuant to an adjusted need determination in the 2021 SMFP.

N.C.G.S. §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.” On page 293, the 2020 SMFP states, “A chemical dependency treatment bed’s service area, for purposes of the State Medical Facilities Plan, is the substance use disorder services region in which the bed is located. Regions are comprised of Licensed Management Entities-Managed Care Organizations (LME-MCO). The North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services of the Department of Health and Human Services establishes the LME-MCOs. Table 15B lists the LME-MCOs and their constituent counties that comprise the three regions for substance use disorder services.” In Table 15B, page 297 of the 2021 SMFP, Pitt County is included in the Eastern Region of the state. Thus, the service area for this facility consists of counties in the Eastern Region on Table 15B. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved adult chemical dependency (substance use disorder) beds located in the Eastern Region, from page 296 of the 2021 SMFP and the days of care reported on the 2021 License Renewal Applications (LRAs).

LME/MCO	COUNTY	FACILITY	# BEDS IN PLANNING INVENTORY	TOTAL LICENSED BEDS	DAYS OF CARE
<b>EASTPOINTE</b>					
Residential	Robeson	Community Outreach Youth Services	8	8	138
<b>Trillium</b>					
Hospital	Nash	Nash General Hospital	16	16	1,437
	New Hanover	The Wilmington Treatment Center	44	44	13,343
	Onslow	Brynn Marr Behavioral Health System	12	12	1,706

Source: Table 15A, 2021 State Medical Facilities Plan and LRAs

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 122, the applicant states:

*“The proposed project is expected to have a positive effect on competition in the service area, as it will provide patients that would have otherwise been admitted into hospital based settings or that would have gone out of state for care with the option of pursuing their recovery needs at a state of the art residential adult chemical dependency treatment facility.”*

Regarding the impact on cost effectiveness, in Section B, pages 30-31, the applicant states:

*“HBC is committed to maximizing healthcare value for resources expended in the delivery of the proposed residential adult chemical dependency treatment services.*

...

*In order to reduce costs and maximize value, HBC will incorporate four of the six existing buildings into the overall campus, each of which will support the proposed facility, as discussed further in section C.1. Because HBC will be developing the proposed project on land that was previously partially developed, HBC will reduce costs through the use of existing utilities and limit site impact by avoiding major water or drainage features thanks to the existing ponds and burms.”*

See also Sections C, F, K and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section B, pages 26-30, the applicant provides quality assurance and improvement policies and states:

*“HBC is committed to promoting safety and quality in the delivery of residential adult chemical dependency treatment services.”*

See also Sections C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section B, page 30, the applicant states:

*“HBC Is committed to promoting equitable access in the provision of residential adult chemical dependency treatment services without regard to sex, race, creed, color, national origin, or disability condition, as evidenced by the following Access Policies included for reference as Exhibit B.20-5.”*

See also Sections C and L of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an

- unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services.
  - 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was 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 based on 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.

NA

Neither the applicant nor any related entity owns, operates, or manages any existing healthcare facility located in North Carolina. Therefore, Criterion (20) is not applicable to this review.

- (21) Repealed effective July 1, 1987.

G.S. 131E-183 (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 with all applicable Criteria and Standards for Substance Abuse/Chemical Dependency Treatment Beds promulgated in 10A NCAC 14C .2500. The specific criteria are discussed below.

**10A NCAC 14C .2503      PERFORMANCE STANDARDS**

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

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

-NA- The applicant does not propose to add additional intensive treatment beds to an existing facility.

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

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

-C- The applicant projects that the overall occupancy of the proposed 70 chemical dependency treatment beds to be operated in the facility will be in excess of 85% prior to the third year of operation. See Criterion (3) for discussion, which is incorporated herein by reference.

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

-C- The applicant provides the assumptions and methodology in Section C of the application. The applicant provides the average length of stay and the anticipated recidivism rate in Section C.7, page 75. See Criterion (3) for discussion, which is incorporated herein by reference.