

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: August 11, 2022

Findings Date: August 11, 2022

Project Analyst: Tanya M. Saporito

Co-signer: Gloria C. Hale

Project ID #: M-12218-22

Facility: Changing Paths

FID #: 220398

County: Sampson

Applicant(s): Changing Paths NC II, LLC

Project: Develop a 54-bed chemical dependency treatment facility

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

Changing Paths NC II, LLC (hereinafter referred to as “the applicant”) proposes to develop a new chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

Need Determination

There are no need determinations in the 2022 State Medical Facilities Plan (SMFP) applicable to the review of applications for chemical dependency treatment facilities.

Policies

There is one policy in the 2022 SMFP applicable to this review: Policy MH-1: Linkages between Treatment Settings.

Policy MH-1, on pages 26-27 of the 2022 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 Section B, page 27, the applicant identifies the LMC/MCO is Eastpointe. In Exhibit B.14, the applicant provides a letter from Eastpointe expressing support for the proposal. The application is consistent with Policy MH-1.

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 reason:

- The applicant adequately demonstrates that the proposal is consistent with Policy MH-1 because the applicant adequately documents that the affected LME/MCO, Eastpointe, has been contacted and invited to comment on the proposed project.

(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 chemical dependency treatment (CDT) facility, Changing Paths, with no more than 54 adult CDT beds in Clinton, in Sampson County.

In Section C.1, pages 28-33, the applicant describes the project as follows:

“Changing Paths NC II, LLC ... proposes to develop a 58-bed Residential Facility offering Treatment/Rehabilitation for individuals with Substance Abuse Disorders...; 4 beds will provide medical detox services; 54 beds will provide inpatient residential treatment. ...

...

The project involves a new licensed program that will be operated in an existing building that was previously operated as a 60-bed adult care facility. The campus also has small housing units that previously operated as senior independent living units. ... The Applicant intends to rent the former independent living apartments to persons discharged from the proposed 58-bed facility to provide transitional housing for as long as a year....

...

Key to Changing Paths' philosophy of care is its focus on compassion, honor, and respect for each patient wherever he or she is on their personal recovery journey. Changing Paths understands that people with SUD have lived on the margin of life, often in trouble with law enforcement, estranged from families and sometimes manipulated by drug suppliers and human abusers. ... To that end, Changing Paths identified a campus that would also support post-discharge recovery, where people could live for as long as a year in on-campus housing and participate in a program of outpatient treatment and have access to monitoring for a year or longer past their stay in the inpatient SUD facility."

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.” The 2022 SMFP has eliminated need determinations for chemical dependency treatment facilities, and the rules promulgated at 10A NCAC 14C .2500 have been repealed. Therefore, the applicant may define its own service area. Facilities may also serve residents of counties not included in their service area.

In Section C, page 34, the applicant states the project involves only new beds. Therefore, there is no historical patient origin to report. On page 35, the applicant identifies the projected patient origin for adult SUD patients at Changing Paths for the first three operating years (OY), calendar years (CY) 2024-2026, as shown below:

Changing Paths Projected Patient Origin, OYs 1-3, CYs 2024-2026

COUNTY	1 ST FULL OY (CY 2024)		2 ND FULL OY (CY 2025)		3 RD FULL OY (CY 2026)	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Sampson	23	5.0%	27	5.0%	29	4.9%
Bladen	11	2.4%	13	2.4%	14	2.3%
Cumberland	131	28.8%	155	28.6%	170	28.4%
Duplin	17	3.7%	19	3.6%	21	3.5%
Pender	27	6.0%	33	6.0%	36	6.1%
Wayne	46	10.0%	54	9.9%	59	9.8%
Johnston	100	21.9%	120	22.2%	135	22.6%
Harnett	55	12.1%	66	12.3%	74	12.4%
Other	46	10.0%	54	10.0%	60	10.0%
Total	455	100.0%	542	100.0%	598	100.0%

In Section Q, pages 102-103, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant analyzed data from national behavioral health organizations to determine a method for projecting patient populations in need of SUD services.
- The applicant defined its "*primary service area*" as the county in which the facility will locate, and then included contiguous counties within a greater service area.
- The applicant assumes that as more chemical dependency treatment facilities are developed in North Carolina [The 2022 SMFP removed a need determination for chemical dependency treatment facilities.], the service areas will become geographically smaller.

Analysis of Need

In Section C, pages 38-42, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant cites data from the National Institute on Drug Abuse and other sources to show that there is a significant national epidemic of substance abuse disorder among American adults (age 18+). The applicant states there is relationship between mental health issues and substance use disorder, and overall, substance abuse manifests in both alcohol and illicit drug use. Additionally, the applicant cites information from the World Health Organization that states substance dependence among adults is a chronic, relapsing disorder with both biological and genetic bases (pages 38-40).
- The applicant states its research shows that adults in North Carolina follow the same national statistics on chronic SUD and its association with mental illness. The applicant states abuse of prescription pain relief medication in North Carolina is slightly higher than the national statistics, but alcohol and other illicit drug abuse in the state follows the national data (page 40).
- The applicant studies regional data for SUD in North Carolina also, but states that data is difficult to assimilate. The applicant states the data does show that the counties surrounding Sampson County, the proposed location of Changing Paths, have some of the highest SUD rates in the state, particularly regarding binge drinking (page 41).
- The applicant examined trends in evidence-based treatment of SUD; particularly the Substance Abuse Mental Health Services Administration model. This model permits treatment facilities to adapt a personalized medically assisted treatment plan for each individual patient, combined with a 12-step program. This program studies relapse potential and the effects of addiction on brain chemistry. The program also provides for outpatient follow-up, alternative socialization guidance and accountability professionals to maximize abstinence potential following inpatient treatment (pages 41-42).

- The applicant states the current inpatient residential treatment facilities in the state are limited; in fact, there are only four beds in Changing Path’s primary service area. The applicant states the beds are needed in this area (page 42).

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

- The 2022 SMFP eliminated a need determination for SUD residential inpatient treatment facilities.
- The applicant provides reasonable information to support area residents’ need for access to adult chemical dependency inpatient treatment 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 that documents support for the project in Exhibit I.1.

Projected Utilization

In Section Q, Form C.1b, the applicant projects utilization for the proposed 54 adult substance use disorder beds as illustrated in the following table:

PROJECTED UTILIZATION			
	1 ST FULL FY CY 2024	2 ND FULL FY CY 2025	3 RD FULL FY CY 2026
# of CDT Beds	54	54	54
Days of Care	12,748	15,162	16,754
Occupancy Rate	64.7%	76.9%	85.0%

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

Step 1: Identify the population to be served – the applicant analyzed data from the North Carolina Office of State Budget and Management for each of the counties that comprise the proposed service area – The applicant determined that the primary service area currently includes 763,100 adults (over the age of 18) and by 2026, the third project year (PY), the service area will include 789,696 adults.

Step 2: Estimate the number of adults in the service area with a substance use disorder (SUD) – The applicant researched the National Survey on Drug Use and Health (NSDUH) provided by the Substance Abuse and Mental Health Services Administration of the U.S. Department of Health and Human Services and determined that approximately 15.4% of adults in the United States had SUD in 2020. The applicant states the survey only classified those persons as having SUD if they sought treatment; there is an estimated 24.6% of adults age 18-25 and 14.3% of adults over the age of 26 who need treatment for SUD. The applicant applied the 15.4% rate to the projected service area adult population and determined the number of adults in the service area who could have a SUD. See the following table from page 103:

Service Area Adults with SUD

CATEGORY	2022	2023	2024	2025	2026
Total SA Population 18+	763,100	769,602	776,255	783,123	789,696
Percent of 18+ with SUD	15.4%	15.4%	15.4%	15.4%	15.4%
SA Population 18+ with SUD	117,517	118,519	119,543	120,601	121,613

Source: Application Section Q, page 103
 Numbers may not sum due to rounding

Step 3: Estimate the number of SA residents who will seek residential inpatient treatment – The applicant states that the NSDUH reports that 2% of adults with SUD receive treatment for abuse of both alcohol and illicit drugs. The percent of adults with SUD will seek inpatient treatment at an inpatient residential treatment facility is 24.8%. The applicant applied those same percentages to project the number of adults in the service area who will seek inpatient residential treatment (pages 103-104). See the following table from page 103:

Service Area Adults With SUD Who Seek Inpatient Residential Treatment

CATEGORY	2022	2023	2024	2025	2026
Population 18+ who seek SUD Treatment	15,262	15,392	15,525	15,662	15,794
Adults Treated in Residential Inpatient	3,785	3,817	3,850	3,884	3,917

Source: Application Section Q, page 104, clarifying information requested by the Agency
 Numbers may not sum due to rounding

Step 4: Project the number of SUD inpatient residential beds needed in service area – Relying on industry standard, the applicant assumes an average length of stay (ALOS) for its resident patients of 28 days. Applying that standard to the service area population of adults who are projected to seek inpatient residential treatment, the applicant calculated the number of beds that would be needed across the entire service area, assuming an 85% occupancy rate. See the following table from page 105:

Total Service Area Beds Needed at 85% Occupancy

CATEGORY	2022	2023	2024	2025	2026
18+ Population Seeking Treatment	3,785	3,817	3,850	3,884	3,917
Treatment Days Needed at 28 ALOS	105,979	106,876	107,800	108,752	109,676
Beds Needed at 100% Occupancy	290	293	295	298	300
Beds Needed t 85% Occupancy	342	345	347	351	353

Source: Application Section Q, page 105
 Numbers may not sum due to rounding

Step 5: Project the number of SUD treatment beds used by SA residents at other inpatient facilities – The applicant examined data for existing chemical dependency treatment facilities listed in the 2022 SMFP, which includes FY 2021 data for both hospital and residential facility beds. The applicant also examined license renewal applications (LRAs) for the same data. For the purposes of its own assumptions in this application, the applicant assumes patient origin and days of care (DOC) for the listed facilities will remain constant through 2026, the third year of operation, except in two instances in which the applicant obtained data from approved

CON applications for facilities that are still under development. Relying on that data, the applicant projected total DOC that would be needed in the service area as shown below:

Service Area Total Days of Care CY 2022-CY 2026

	2022	2023	2024	2025	2026
Total Days of Care	4,926	5,911	6,373	6,553	6,539

Source: application Table 5, page 106.

The applicant states that by CY 2026, other facilities in the service area will provide 6,539 days of care to service area residents age 18+. The applicant subtracted the total service area DOC projected to be served by existing SUD beds from the “*treatment days needed at 28 ALOS*” from Step 4 and determined that existing facilities in the service area serve between 5% and 6% of the need for SUD beds. See the following table, from page 107:

Estimated Unservd DOC for Service Area Residents 18 +

	2022	2023	2024	2025	2026
Days of Care Needed for Persons 18+	105,979	106,882	107,806	108,760	109,673
SA DOC Provided by Existing Facilities	4,926	5,911	6,373	6,553	6,539
Estimated Unservd Treatment DOC	101,053	100,971	101,434	102,207	103,134
% of Need Served by Existing Facilities	5%	6%	6%	6%	6%

Source: Application page 107

Based on the “*estimated unserved treatment days of care*” in the service area as shown in the table above, the applicant calculated how many beds would be needed at both 100% and 85% occupancy. The applicant also considered hospitals in the area, though SUD beds in hospitals are typically for patient stabilization and do not provide the type of treatment proposed by the applicant. See the following table from page 107:

Number of Beds Needed in Service Area

	2022	2023	2024	2025	2026
Unservd Treatment DOC	101,053	100,971	101,434	102,207	103,134
Beds Needed at 100% Occupancy	277	277	278	280	283
Beds Needed at 85% Occupancy	326	325	327	329	332

Source: Application page 107

Additionally, the applicant examined LRAs for service area hospitals that have treated SUD patients who arrive in the emergency departments with overdose complications. Although hospitals are limited to 72 hours of care and do not provide inpatient SUD treatment, the applicant totaled the DOC for the area hospitals and found that in FY 2021, are hospitals provided a total of 1,080 DOC for patients admitted with SUD.

Step 6: Calculate annual days and admissions for the proposed number of beds (54) – the applicant determined that it could effectively accommodate four patient admissions per day (PPD). To remain conservative, the applicant projected a ramp-up of PPD from 1.1 in its “interim” year (“*partial 2023*”) to 1.75 PPD by the third year of operation (CY 2026), as shown in the following table from page 110:

Patients and Days of Care per Calendar Year

	PARTIAL 2023	2024	2025	2026
DAILY ADMISSION RATE	1.1	1.25	1.5	1.75
DAYS IN PROJECT YEAR	275	366	365	365
Admissions	302	457	547	638
Discharges	271	453	540	631
Pts. Remain to Next Year	31	4	7	7
Avg. Daily Census* (ADC)	28	35	42	49
Max. Occupancy at 85%	46	46	46	46
Avg. Daily Census (ADC)	28	35	42	46
Days of Care	7,624	12,748	15,162	16,754
Maximum Days of Care	14,850	19,764	19,710	19,710
Avg. Occupancy Rate	51%	65%	77%	85%
Avg. Completed Admissions	272.3	455	542	598

*Applicant calculates ADC *per algorithm* as follows: (discharges x 28 + annual admission rate x 28)/ # days in period.

Source: Application page 110, clarifying information requested by the Agency
 Numbers may not sum due to rounding

Step 7: Estimate detox bed use – the applicant considered the number of beds and DOC the facility would serve patients who are detoxing in the beginning stages of inpatient treatment. Medical detox services are not regulated by Certificate of Need, but the applicant included the data to show that up to 3.5 beds per CY will be used for medical detox purposes.

Step 8: Calculate county allocation factors – The applicant estimated patient origin by determining the percent of the total service area population in each county that comprises the service area. In addition, the applicant examined patient origin data from LRAs for North Carolina SUD facilities that provide inpatient residential substance use treatment and determined that these facilities historically treat many patients from outside their service area. The applicant found that an average of 60.9% of patients in inpatient residential SUD facilities were from counties in which the facility is located or from contiguous counties. In an effort to remain conservative, the applicant assumes a 10% “out of area” patient origin for Changing Paths, which it states is reasonable, given 39.1% of patients from existing SUD facilities treat “out of area” patients [100.0%-60.9% = 39.1%]. See the following table from page 113:

Percent of Total SA by County, Including Out of Area Patients

COUNTY	2023	2024	2025	2026
Sampson	5%	5%	5%	5%
Bladen	2%	2%	2%	2%
Cumberland	29%	29%	29%	28%
Duplin	4%	4%	4%	3%
Pender	6%	6%	6%	6%
Wayne	10%	10%	10%	10%
Johnston	21%	22%	22%	23%
Harnett	12%	12%	12%	12%
Other*	10%	10%	10%	10%
Total	100%	100%	100%	100%

*Other is defined above. Table is from application page 113.

Step 9: Calculate patients served from each county – the applicant calculated the number of patients represented by the percentages in Step 8 by multiplying the county percentages in the table above by the “*average completed admissions*” from Step 6 (page 114). See the following table to illustrate the patient numbers, from page 114:

of Patients Served by County, Including Out of Area Patients

COUNTY	2023	2024	2025	2026
Sampson	14	23	27	29
Bladen	7	11	13	14
Cumberland	79	131	155	170
Duplin	10	17	19	21
Pender	16	27	33	36
Wayne	28	46	54	29
Johnston	58	100	120	135
Harnett	33	55	66	74
Other*	27	46	54	60
Total	272	455	542	598

*Other is defined above.
 Source: application page 114
 Numbers may not sum due to rounding

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

- The applicant uses population growth data for the service area, and North Carolina and national data regarding substance disorders and treatment utilization.
- The applicant projects days of care and occupancy rates using industry standards for ALOS.

Access to Medically Underserved Groups

In Section C, page 48, the applicant states:

“Changing Paths will accept patients without regard for gender, gender preference, race, ethnicity, age, income, or disability status.”

On page 49, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

MEDICALLY UNDERSERVED GROUPS	% OF TOTAL PATIENTS
Low income persons	2.0%
Racial and ethnic minorities	33.0%
Women	44.4%
Persons with disabilities	--
Persons 65 and older	1.0%
Medicare beneficiaries	0.0%
Medicaid recipients	0.0%

The applicant states on page 49 that since Changing Paths is not currently serving patients, it is difficult to estimate the data. The applicant derived the data from several sources, which is explained on pages 49-50. The applicant states that Medicare and Medicaid do not reimburse for residential chemical dependency treatment in facilities with six or more beds. However, the applicant does propose an Underserved Patients Policy to serve 2% of its 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 researched data for substance use disorder adult patients in North Carolina.
- The applicant provides an estimated percentage of each medically underserved group to be served based on researched data for substance use disorder adult patients in the proposed service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Clarifying information requested 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.

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 chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

In Section E, page 57, the applicant describes the one alternative it considered and explains why that alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternative considered was:

- Maintain the status quo – The applicant states this was not an effective alternative because there are only four in-patient residential chemical dependency treatment beds in the proposed service area. Substance use disorders are increasing in the country and in North Carolina, and the applicant states that there is sufficient need in the service area for the proposed beds even if service area residents seek treatment outside the service area. Therefore, maintaining the status quo is not an effective alternative to meet the need for chemical dependency treatment beds.

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. Changing Paths NC II, 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 54 adult chemical dependency treatment beds.**
 - 3. Upon completion of the project, Changing Paths shall be licensed for no more than 54 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. The first progress report shall be due on December 1, 2022.**
 - 5. 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.**
 - 6. 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.**
 - 7. 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 chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

Capital and Working Capital Costs

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

PROPOSED CAPITAL COST	
Construction/Renovation Contract(s)	\$1,842,625
Miscellaneous Costs	\$678,835
Total	\$2,521,460

In Section Q, page 116, and Section F, pages 59-60, 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 applicant’s managing member’s consultation with contractors, an architect and other local suppliers and vendors.
- The applicant provides a construction cost estimate in Exhibit F.1, and other supporting documentation in Exhibit K.3.

In Section F, page 63, the applicant projects that start-up costs will be \$517,098 and initial operating expenses will be \$705,342 for a total working capital of \$1,222,440. In 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 in Sections F and Q.

Availability of Funds

In Section F, page 60, the applicant states that the capital cost will be funded as shown in the table below:

Sources of Capital Cost Financing		
TYPE	CHANGING PATHS NC II, LLC	TOTAL
Loans	\$2,521,459	\$2,521,459
Accumulated reserves or OE *	\$0	\$0
Bonds	\$0	\$0
Other**	\$0	\$0
Total Financing	\$2,521,459	\$2,521,459

*OE = Owner’s Equity

In Exhibit F.2, the applicant provides documentation in the form of an email dated May 11, 2022 from a lender named Liang Gao, confirming that Mr. Gao is willing to lend \$2 Million to Changing Paths NC II, LLC for project development. Exhibit F.2 also provides a May 11, 2022 letter from David M. Robinson, CPA that indicates Mr. Robinson has reviewed the financial records of Mr. Gao and confirms the availability of \$5 Million for the project. Exhibit F.2 also includes a letter from Susan Teague, managing member of Changing Paths NC II, LLC that commits the funds to project development.

In Section F.3(f), page 64, the applicant states that the working capital needs of the project will be funded as shown in the table below:

**SOURCE OF WORKING CAPITAL FINANCING
 CHANGING PATHS NC II, LLC**

TYPE	AMOUNT
Loans	\$1,222,440
Total	\$1,222,440

In Exhibit F.2 the applicant provides a “*term sheet*” from Liang Gao indicating an intent to provide a loan in an amount sufficient to cover the working capital costs of the project.

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 Lian Gao documenting an intent to fund the total projected capital and working capital cost of the project.
- The letter in Exhibit F.2 from Mr. Robinson confirms the adequacy of Mr. Gao’s financial position for the promised funding.

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 all three full fiscal years following completion of the project as shown in the table below:

PROJECTED REVENUE & EXPENSES FYs 1-3 (CYs 2024-2026)			
	FY 1 (CY 2023)	FY 2 (CY 2024)	FY 3 (CY 2025)
Total Days of Care	12,748	15,162	16,754
Total Gross Revenue (Charges)	\$18,758,112	\$22,979,094	\$26,152,860
Total Net Revenue	\$8,816,312	\$10,570,383	\$11,768,787
Average Net Revenue per Day of Care	\$692	\$697	\$702
Total Operating Expenses (Costs)	\$7,756,248	\$9,175,563	\$10,378,313
Average Operating Expense per Day of Care	\$608	\$605	\$619
Net Income	\$1,060,064	\$1,394,820	\$1,390,473

Source: Forms C and F.2b, Section Q

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 that are 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 chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

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.*” The 2022 SMFP has eliminated need determinations for chemical dependency treatment facilities, and the rules promulgated at 10A NCAC 14C .2500 have been repealed. Therefore, the applicant may define its own service area. On page 102 the applicant states the service area is Sampson County and those counties contiguous to Sampson County. Facilities may also serve residents of counties not included in their service area.

In Section G, page 70, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved SUD services in Sampson County. The applicant states:

“As discussed in Section C.4, there are only four residential adult chemical dependency treatment facilities [sic] in the proposed primary service area.

While there are underutilized SUD treatment beds in counties outside the proposed service area, the proposed project does not represent unnecessary duplication of those facilities. The facilities offer different programs, are not as convenient to the proposed population to be served, and/or the need will still exist, even if residents of the service area use the beds at historic 2021 rates....”

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because the applicant adequately demonstrates that the proposed chemical dependency treatment facility is needed in addition to the existing or approved chemical dependency treatment facilities.

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.

- (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 chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

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

POSITION	FY1 (CY 2024)	FY2 (CY2025)	FY3 (CY2026)
Medical Director	0.8	0.8	0.8
RN	1.0	1.0	1.0
LPN	1.0	1.0	1.0
CNA	6.0	10.0	13.0
Nursing Staff PT	2.7	2.5	2.5
Nurse Practitioner	0.5	0.6	0.9
Licensed Clinical Addiction Specialist	1.0	1.0	1.0
Counselors	6.0	7.0	8.4
Psychologist	1.4	1.4	1.4
Social Worker	1.0	1.0	1.0
Case Manager	2.0	2.4	3.1
Call Center	4.2	5.2	6.0
Administrator	0.8	0.6	0.6
Administrative Assistant	0.8	0.6	0.6
Human Resources	1.0	1.0	1.0
Facility Director	1.0	0.6	0.6
Accounting Department	1.0	1.0	1.0
RA	8.0	12.3	15.2
RA Supervisor	0.8	0.8	0.8
Peer Support	4.0	4.0	4.0
Clerical/Discharge	2.0	2.8	3.1
Admissions Counselor	1.0	1.0	1.0
Chief Dietician	1.0	1.0	1.0
Cook	2.0	2.0	2.0
Assistant Cook	1.0	1.0	1.0
Activity Director	0.5	0.5	0.5
Housekeeper	4.9	4.9	4.9
Janitor	1.0	1.0	1.0
Grant Writer	2.0	2.0	2.0
Security Guards	2.0	2.0	2.0
Totals	62.3	72.9	82.3

Source: Form H in Section Q of the application.

The assumptions and methodology used to project staffing are provided in Section Q, page 120. 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, page 73, 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 based on the following:

- The applicant projects the initial and future FTE staffing positions necessary to accommodate the proposed chemical dependency treatment facility services at Changing Paths.

- Staffing costs and yearly salary increases are accounted for in the budgeted Operating Costs.
- The methods used to recruit or fill new positions and the proposed 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 chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

Ancillary and Support Services

In Section I, page 75, the applicant identifies the necessary ancillary and support services for the proposed services. On page 76, the applicant briefly explains how each ancillary and support service 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 Changing Paths.
- The applicant provides information regarding the recruitment, retention and training of employees providing the support services.

Coordination

In Section I, page 77 the applicant describes its proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit 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 chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

In Section K, page 80, the applicant states that the project involves renovating approximately 23,428 square feet of existing space. Line drawings are provided in Exhibit K.2.

In Section K, pages 82-84, 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.2, K.3 and K.4.

In Section K, page 81, 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 Changing Paths will renovate existing space in a building that was formerly an adult care home. Renovation will save costs.
- The applicant states the applicant's managing member, Susan Teague, has substantial experience working with and managing contractors and will oversee the project in lieu of a general contractor, which will save costs.
- The applicant states that there will be a new roof and HVAC system installed, as well as a code-compliant sprinkler system.

In Section K, page 81, 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 campus is compact, the grounds can be secured and utilities are already available.
- The applicant states that the project is sized to meet the needs of the projected patients in the service area, and the program needs can be accommodated in existing space with only renovation.
- The applicant states that the projected economical program operation will also ensure a conservative start-up phase, thereby saving costs.

In Section K, page 81, 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 88, 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	31.5%
Charity Care	2.0%
Insurance*	66.5%
Total	100.0%

*Including managed care plans

In Section L, page 88 the applicant states it will enter into a contract with Eastpointe, the LMC/MCO for the service area, and will provide patients SUD services in the Eastpointe service area.

Additionally, on page 90 the applicant states the estimated number of charity care patients is based on the proposed financial assistance policy and is projected to be approximately 2.0% of total patients. The applicant states the financial assistance policy will provide service to patients at a lower cost and no cost scholarships based on patient need and ability to afford services.

In Section Q, page 118, 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. The projected payor mix is reasonable and adequately supported based on the following:

- Medicare and Medicaid do not provide reimbursement for residential chemical dependency treatment facilities with the bed complement the applicant proposes.
- The applicant has in place a financial assistance policy which is expected to provide reduced costs, scholarships and no cost opportunities for 2% of its total patients. Additionally, the applicant accounts for remaining payor mix with commercially insured patients.
- In Exhibit L.4, the applicant provides a copy of the financial assistance policy which specifies the provision of lower cost and no cost scholarships based on patient need and the ability to afford 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 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, page 91, 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 chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

In Section M, page 92, 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 M.2 the applicant provides copies of a proposed Memorandum of Agreement with the School of Social Work at Fayetteville State University and the Department of Social Work at UNC Pembroke.
- The applicant states it is in negotiations with Methodist University for similar training programs.

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 chemical dependency treatment (CDT) facility with no more than 54 adult CDT beds in Clinton, in Sampson County.

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.*” The 2022 SMFP has eliminated need determinations for chemical dependency treatment facilities, and the rules promulgated at 10A NCAC 14C .2500 have been repealed. Therefore, the applicant may define its own service area. On page 102 the applicant states the service area is Sampson County and those counties contiguous to Sampson County. Facilities may also serve residents of counties not included in their service area.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 93, the applicant states:

“The proposed facility will offer a matrix of options tailored to each individual. Presently, only a handful of programs offer this approach. Most SUD treatment facilities are abstinence only programs that involve substantial will and commitment of the part of individuals who have a SUD. There is no licensure distinction between abstinence-only and medically assisted treatment licenses, so there is no way to verify and quantify the number of beds in each category.”

Regarding the impact on cost effectiveness, in Section N, page 93, the applicant states:

“Proposed charge and collection structures are consistent with other SUD residential inpatient treatment facilities in North Carolina. The applicant verified this by means of mystery shopping with existing facilities, and/or in direct discussions with facilities like Fellowship Hall, in Greensboro. One of the biggest measures of the project’s cost effectiveness will be in its success in addressing recidivism. The follow-up residential apartments on the campus are part of this commitment. The applicant has carefully designed and priced these to resident so that they will be within financial reach of persons who may be returning to the work force at low salary levels.”

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

Regarding the impact of the proposal on quality, in Section N, page 94, the applicant states:

“The applicant is committed to maintaining its license in good standing with the State of North Carolina, maintaining quality standards for all employees and providing a safe and supportive recovery journey for its clients.”

See also application Sections B, C and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 94, the applicant states:

“The applicant is committed to funding its own scholarship program and has committed resources in its budget to finding resources outside the applicant to support persons in need of services. ...

The applicant is committed to working with the criminal justice system, as well as with area healthcare providers who are often the source of last resort for persons who have SUD.”

See also Sections B, 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.

NA