

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: December 12, 2022

Findings Date: December 12, 2022

Project Analyst: Ena Lightbourne

Co-Signer: Lisa Pittman

Project ID #: O-12235-22

Facility: Carolina Dunes Behavioral Health

FID #: 130438

County: Brunswick

Applicant(s): SBH Wilmington, LLC

Project: Develop no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 psychiatric residential treatment facility beds upon project completion

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

SBH Wilmington, LLC, hereinafter referred to as the “applicant”, proposes to develop no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds (38 adult inpatient psychiatric beds and 24 child/adolescent inpatient psychiatric beds) and 54 psychiatric residential treatment facility (“PRTF”) beds at Carolina Dunes Behavioral Health (“CDBH”) upon project completion.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2022 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

Policies

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

Policy MH-1: Linkages between Treatment Settings, on page 27 of the 2022 SMFP states:

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

Exhibit B.14 contains a copy of a letter from Trillium Health Resources, the local management entity-managed care organization (LME/MCO) for Brunswick County, demonstrating that the LME/MCO was contacted and invited to comment on the proposed services. Therefore, the application is consistent with Policy MH-1.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

The Agency concludes that the application is conforming to this criterion based on the applicant adequately demonstrating that the proposal is consistent with Policy MH-1, by providing documentation that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.

- (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.

The applicant proposes to develop no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

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 does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility is located in Leland, Brunswick County and is served by the Trillium Health Resources LME/MCO. Thus, the service area for this facility consists of counties served by Trillium Health Resources. Trillium serves residents of Bladen, Brunswick, Carteret, Columbus, Halifax, Nash, New Hanover, Onslow, Pender, Beaufort, Bertie, Camden, Chowan, Craven, Currituck, Dare, Gates, Hertford, Hyde, Jones, Martin, Northampton, Pamlico, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington Counties. Facilities may also serve residents of counties not included in their service area.

The following tables illustrate historical and projected patient origin.

County	Carolina Dunes Behavioral Health Historical Patient Origin	
	Last Full FY 10/01/2020-09/30/2021	
	Patients	% of Total
New Hanover	97	16.6%
Brunswick	41	7.0%
Onslow	25	4.3%
Pender	24	4.1%
Wayne	22	3.8%
Mecklenburg	22	3.8%
Guilford	20	3.4%
Wake	18	3.1%
Cabarrus	15	2.6%
Durham	13	2.2%
Other NC Counties*	278	47.6%
Other States	9	1.5%
Total	584	100.0%

Source: Section C, page 33

*Includes other NC counties, each representing less than 2% of total patient admissions.

Carolina Dunes Behavioral Health Projected Patient Origin						
County	1st Full FY		2nd Full FY		3rd Full FY	
	CY2025		CY2026		CY2027	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
New Hanover	172	15.0%	174	15.0%	176	15.0%
Brunswick	105	9.1%	106	9.1%	107	9.1%
Wayne	48	4.1%	48	4.2%	49	4.2%
Mecklenburg	46	4.0%	47	4.0%	47	4.0%
Onslow	43	3.7%	43	3.7%	43	3.7%
Pender	37	3.2%	37	3.2%	37	3.2%
Cabarrus	28	2.5%	28	2.4%	28	2.4%
Johnston	28	2.5%	28	2.4%	28	2.4%
Cumberland	25	2.1%	25	2.1%	25	2.1%
Wake	25	2.1%	25	2.1%	25	2.1%
Guilford	22	1.9%	23	2.0%	23	2.0%
Durham	17	1.5%	17	1.5%	18	1.5%
Alamance	17	1.5%	17	1.5%	18	1.5%
Halifax	16	1.4%	16	1.4%	16	1.4%
Orange	14	1.3%	15	1.3%	15	1.3%
Craven	12	1.1%	13	1.1%	13	1.1%
Other NC Counties*	483	42.1%	489	42.2%	495	42.2%
Other States	10	0.8%	10	0.8%	10	0.8%
Total	1,147	100.0%	1,160	100.0%	1,174	100.0%

Totals may not foot due to rounding

Source: Section C, page 36

*Includes other NC counties, each representing less than 2% of total patient admissions.

In Section C, page 34, the applicant provides the assumptions and methodology used to project its patient origin.

“CDBH projected the number of inpatient psychiatric patients by county based upon the projected number of inpatient psychiatric admissions during the initial three project years...and based upon its historical inpatient psychiatric patient origin by county...”

The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant relied on historical patient origin from the last full fiscal year (FY2021).
- The applicant incorporated the projected number of inpatient psychiatric admissions for the first three project years. The discussion regarding projected utilization found in Criteria (3) is incorporated herein by reference.

Analysis of Need

In Section C, pages 37-64, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- Growing population in Trillium Health Resources LME service area (pages 38-43)
- Increasing inpatient psychiatric bed utilization in Trillium's service area in North Carolina (pages 43-44)
- High occupancy of inpatient psychiatric beds at Trillium Health facilities (page 45)
- Increasing prevalence of behavioral health issues in adolescent and adult populations (pages 46-53)
- Limited access to inpatient psychiatric beds in North Carolina (pages 53-60)
- Psychiatric patient boarding in hospital Emergency Departments, and evidence of behavioral health crisis in North Carolina (pages 60-63)
- North Carolina DHHS State Mental Health Initiatives to ensure timely treatment (page 63)
- Federal Parity Laws and the Affordable Care Act's role in improving health insurance coverage for mental health (page 64)

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

- The applicant used reasonable demographic data to make assumptions regarding the population to be served, and the need for the proposed services.
- According to data from the North Carolina office of State Budget and Management (NCOSBM), the population of Trillium's service area is projected to grow, which will impact the demand for psychiatric inpatient services.
- The applicant relied on published statistical data on mental health in North Carolina to demonstrate the need for inpatient psychiatric care throughout North Carolina.
- The applicant provides reasonable information to support service area residents' need for access to inpatient psychiatric services.
- The applicant cited data that the increase in the number of patients presented in the emergency room with a mental health condition demonstrates a behavioral health crisis in North Carolina.
- The Affordable Care Act expands health insurance coverage for mental health and substance abuse disorders, creating greater access to such services and thus maintaining demand for those services.

Projected Utilization

In Section Q, pages 121-123, the applicant provides historical, interim and projected utilization, as illustrated in the following tables.

	Last Full FY CY2021	Interim Full FY CY2022	Interim Full FY CY 2023	Interim Full FY CY 2024
Adult Psychiatric Beds				
# of Beds	20	20	20	20
Admissions	297	305	311	318
Patient days	4,938	3,998	4,628	4,725
Average Length of Stay (ALOS)	16.6	13.1	14.9	14.9
Occupancy Rate	67.6%	54.8%	63.4%	64.7%
Child/Adolescent Psychiatric Beds				
# of Beds	20	20	20	20
Admissions	359	418	420	422
Patient days	4,810	5,525	5,592	5,625
Average Length of Stay (ALOS)	13.4	13.2	13.3	13.3
Occupancy Rate	65.9%	75.7%	76.6%	77.1%

Source: Section Q, page 121

	1 st Full FY CY2025	2 nd Full FY CY2026	3 rd Full FY CY 2027
Adult Psychiatric Beds			
# of Beds	24	24	24
Admissions	426	435	444
Patient days	6,340	6,473	6,608
Average Length of Stay (ALOS)	14.9	14.9	14.9
Occupancy Rate	72.4%	73.9%	75.4%
Child/Adolescent Psychiatric Beds			
# of Beds	38	38	38
Admissions	721	725	729
Patient days	9,598	9,654	9,710
Average Length of Stay (ALOS)	13.3	13.3	13.3
Occupancy Rate	69.2%	69.6%	70.0%

Source: Section Q, page 122

In Section Q, pages 124-133, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: Review Historical Utilization at CDBH

Carolina Dunes Behavioral Health				
Patient Admissions, CY2019 – CY2022				
Admissions	CY2019	CY2020	CY2021	CY2022*
Adolescent IP	489	337	359	418
Adult IP	250	278	297	305
Patient Days of Care, CY2019 – CY2022				
Patient Days	CY2019	CY2020	CY2021	CY2022*
Adolescent IP	6,671	4,571	4,810	5,525
Adult IP	5,528	4,900	4,938	3,998
Bed Occupancy Rate, CY2019 – CY2022				
Bed Occupancy Rate	CY2019	CY2020	CY2021	CY2022*
Adolescent IP	91.4%	62.6%	65.9%	75.7%
Adult IP	75.7%	67.1%	67.6%	54.8%
PRTF	94.8%	72.0%	67.9%	76.5%

Source: Section Q, page 124; (IP) Inpatient

*Annualized based on year-to-date data through May.

Step 2: Project Existing Bed Utilization Through Third Project Year

The applicant projects the adult and adolescent inpatient psychiatric bed admissions based on the five-year Compound Annual Growth Rate (CAGR) for the population in Trillium’s service area as projected by NCOSBM. See applicant’s demonstration of need above.

Projected Patient Admissions Five-Year Growth Rate CY2022 – CY2027	
	CAGR
Adolescent IP	0.58%
Adult IP	2.09%

The applicant states that the CDBH patient ALOS has decreased over the last four years. The applicant reasonably projects shorter ALOS based on factors such as Medicaid plans pushing for shorter inpatient stays and CDBH’s discharge planner resulting in shorter ALOS. The following table illustrates the facility’s historical ALOS from CY2019 through CY2022 annualized.

Carolina Dunes Behavioral Health				
Historical Average length of Stay, CY2019 – CY2022				
ALOS	CY2019	CY2020	CY2021	CY2022*
Adolescent IP	13.6	13.6	13.4	13.2
Adult IP	22.1	17.6	16.6	13.1

Source: Section Q, page 127

*Annualized based on year-to-date data through May.

The following table illustrates the facility’s projected ALOS from CY2023 through CY2027.

Carolina Dunes Behavioral Health Projected Average length of Stay, CY2023 – CY2027		
ALOS	4-Year Average	2-Year Average
Adolescent IP	13.5	13.3
Adult IP	17.4	14.9

Source: Section Q, page 127

The applicant projects admissions, ALOS, patient days of care, and occupancy rates based on its projected growth rates, prior to the development of the 22 inpatient psychiatric beds.

**Carolina Dunes Behavioral Health
 Project Utilization (Prior to the 22 Additional Inpatient Psychiatric Beds)**

Patient Admissions, CY2023 – CY2027					
Admissions	CY2023	CY2024	CY2025	CY2026	CY2027
Adolescent IP	420	422	425	427	430
Adult IP	311	318	324	331	338
Average Length of Stay, CY2023 – CY2027					
ALOS	CY2023	CY2024	CY2025	CY2026	CY2027
Adolescent IP	13.3	13.3	13.3	13.3	13.3
Adult IP	14.9	14.9	14.9	14.9	14.9
Patient Days, CY2023 – CY2027					
Patient Days	CY2023	CY2024	CY2025	CY2026	CY2027
Adolescent IP	5,592	5,625	5,657	5,690	5,723
Adult IP	4,628	4,725	4,823	4,924	5,027
Bed Occupancy Rate, CY2023 – CY2027					
Bed Occupancy Rate	CY2023	CY2024	CY2025	CY2026	CY2027
Adolescent IP	76.6%	77.1%	40.8%	41.0%	41.3%
Adult IP	63.4%	64.7%	55.1%	56.2%	57.4%

Source: Section Q, page 128

Totals may not foot due to rounding.

Step 3: Additional Bed Ramp Up

The applicant is proposing to develop 22 inpatient psychiatric beds. Eighteen of the additional beds will be designated as adolescent inpatient psychiatric beds. The applicant projects utilization of the additional 18 adolescent beds and four adult inpatient psychiatric beds during the first project year based on its existing patient demand and bed capacity limitation. The applicant assumes one adolescent patient admission during the first week and gradually increase in frequency during the initial seven weeks. The applicant projects an adolescent occupancy rate of 59.4% by the end of the first project year. The applicant assumes one adult patient admission during the first week and an increase to two admissions by week three and

remain constant thereafter during the first project year. The applicant projects an adult occupancy rate of 102.8% by the end of the first project year.

Step 4: Combined Projected Bed Utilization Through Third Project Year

The applicant combined the projected utilization prior to the development of the 22 inpatient psychiatric beds (*Step 2*) with the projected ramp up of the additional beds (*Step 3*) to project the facility’s patient admissions, ALOS, patient days, and bed occupancy rate of adult and adolescent inpatient psychiatric beds.

**Carolina Dunes Behavioral Health
 Project Utilization
 (Additional 18 Adolescent IP Psychiatric beds and 4 Adult IP Psychiatric beds)**

Patient Admissions, CY2023 – CY2027					
Admissions	CY2023	CY2024	CY2025	CY2026	CY2027
Adolescent IP	420	422	721	725	729
Adult IP	311	318	426	435	444
Average Length of Stay, CY2023 – CY2027					
ALOS	CY2023	CY2024	CY2025	CY2026	CY2027
Adolescent IP	13.3	13.3	13.3	13.3	13.3
Adult IP	14.9	14.9	14.9	14.9	14.9
Patient Days, CY2023 – CY2027					
Patient Days	CY2023	CY2024	CY2025	CY2026	CY2027
Adolescent IP	5,592	5,625	9,598	9,654	9,710
Adult IP	4,628	4,725	6,340	6,473	6,608
Bed Occupancy Rate, CY2023 – CY2027					
Bed Occupancy Rate	CY2023	CY2024	CY2025*	CY2026*	CY2027*
Adolescent IP	76.6%	77.1%	69.2%	69.6%	70.0%
Adult IP	63.4%	64.7%	72.4%	73.9%	75.4%

Source: Section Q, page 133

*Calculation reflects addition of 18 adolescent IP beds and 4 adult IP beds.

Projected utilization is reasonable and adequately supported based on the following:

- The projected utilization is based on the historical utilization of the applicant’s existing inpatient psychiatric beds.
- The growing population in the LME service area and the high occupancy of inpatient psychiatric beds at Trillium Health facilities, supports the projected utilization.

Access to Medically Underserved Groups

In Section C, pages 69-70, the applicant states:

“CDBH will continue to be easily accessible by the above-listed underserved groups and by the remainder of the population as well. Consistent with CDBH’s admission and financial assistance policies...and based on ultimate parent company Summit BHC’s pattern of broad historical access, the CDBH inpatient psychiatric beds and services will continue to be available to and accessible by any adolescent or geriatric patient having a need for inpatient behavioral health services.”

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

Medically Underserved Groups	Percentage of Total Patients
Low income persons	12.9%
Racial and ethnic minorities	29.4%
Women	51.4%
Persons with Disabilities	9.3%
Persons 65 and Older	16.7%
Medicare beneficiaries	30.5%
Medicaid recipients	45.7%

Source: Section C, page 70

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 percentages for the low-income persons, racial and ethnic minorities, women, persons 65 and older and persons with disabilities groups are based on the most recently available U.S. Census Bureau demographics for North Carolina, sourced July 2022.
- The percentages for Medicare beneficiaries and Medicaid recipient groups are based on the historical access by these medically underserved groups at CDBH during FFY2021.

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 all the reasons described above.

- (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.

C

The applicant proposes to develop no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion. As part of this project, the applicant is proposing to reduce the number of PRTF beds from 72 to 54 by converting 18 of the 22 additional beds to inpatient psychiatric beds.

In Section D, page 75, the applicant explains why it believes the needs of the population presently utilizing the services to be reduced will be adequately met following completion of the project. On page 75, the applicant states:

“Following conversion of 18 PRTF beds into 18 inpatient psychiatric beds, CDBH will be licensed with 54 PRTF beds. Following the proposed bed conversion, CDBH will retain sufficient PRTF bed capacity to meet the needs of adolescent patients needing residential treatment. The proposed project will not reduce or eliminate any patient’s ability to obtain PRTF services, at CDBH, as CDBH will continue to have sufficient licensed PRTF bed capacity to meet projected need in the near term.”

The information is reasonable and adequately supported based on the facility’s ability to maintain sufficient PRTF capacity to meet the needs of patients seeking PRTF services. The applicant projects an occupancy rate of 94.0% by the end of the first full fiscal year.

In Section Q, page 123, the applicant provides historical, interim, and projected utilization, as illustrated in the following table.

	Last Full FY CY2021	Interim Full FY CY2022	Interim Full FY CY 2023	Interim Full FY CY 2024	1st Full FY CY 2025
PRTF					
# of Beds	72	72	72	72	54
Admissions	143	158	159	160	161
Patient days	17,854	20,114	18,322	18,428	18,535
Average Length of Stay (ALOS)	124.9	127.0	115.0	115.0	115.0
Occupancy Rate	67.9%	76.5%	69.7%	70.1%	94.0%

In Section Q, pages 124-133, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: Review Historical Utilization at CDBH

Carolina Dunes Behavioral Health				
Patient Admissions, CY2019 – CY2022				
Admissions	CY2019	CY2020	CY2021	CY2022*
PRTF	137	119	143	158
Patient Days of Care, CY2019 – CY2022				
Patient Days	CY2019	CY2020	CY2021	CY2022*
PRTF	24,905	18,925	17,854	20,114
Bed Occupancy Rate, CY2019 – CY2022				
Bed Occupancy Rate	CY2019	CY2020	CY2021	CY2022*
PRTF	94.8%	72.0%	67.9%	76.5%

Source: Section Q, page 124

*Annualized based on year-to-date data through May.

Step 2: Project Existing Bed Utilization Through Third Project Year

The applicant projects the PRTF admissions based on the five-year Compound Annual Growth Rate (CAGR) for the population in Trillium’s services area as projected by NCOSBM. See applicant’s demonstration of need above.

Projected Patient Admissions Five-Year Growth Rate CY2022 – CY2027	
	CAGR
PRTF	0.58%

The applicant states that the CDBH patient ALOS has decreased over the last four years. The applicant projects a further decrease in PRTF bed ALOS due to the promotion of community-based programs of care instead of PRTF. The following table illustrates the facility’s historical ALOS from CY2019 through CY2022 annualized.

Carolina Dunes Behavioral Health Historical Average Length of Stay, CY2019 – CY2022				
ALOS	CY2019	CY2020	CY2021	CY2022*
PRTF	181.8	159.0	124.9	127.0

Source: Section Q, page 127

*Annualized based on year-to-date data through May.

The applicant projects the future PRTF bed ALOS to be lower than the most recent 2-year average, as shown in the table above. The following table illustrates the facility’s projected ALOS from CY2023 through CY2027.

Carolina Dunes Behavioral Health Projected Average Length of Stay, CY2023 – CY2027		
ALOS	4-Year Average	2-Year Average
PRTF	148.2	125.9

Source: Section Q, page 127

The applicant projects admissions, ALOS, patient days of care, and occupancy rates based on its projected growth rates, prior to the reduction of PRTF beds.

Carolina Dunes Behavioral Health Project Utilization (Prior to the Reduction of PRTF Beds)					
Patient Admissions, CY2023 – CY2027					
Admissions	CY2023	CY2024	CY2025	CY2026	CY2027
PRTF	159	160	161	162	163
Average Length of Stay, CY2023 – CY2027					
ALOS	CY2023	CY2024	CY2025	CY2026	CY2027
PRTF	115.0	115.0	115.0	115.0	115.0
Patient Days, CY2023 – CY2027					
Patient Days	CY2023	CY2024	CY2025	CY2026	CY2027
PRTF	18,322	18,428	18,535	18,642	18,750
Bed Occupancy Rate, CY2023 – CY2027					
Bed Occupancy Rate	CY2023	CY2024	CY2025*	CY2026*	CY2027*
PRTF	69.7%	70.1%	94.0%	94.6%	95.1%

Source: Section Q, page 128; totals may not foot due to rounding.

*Reduction of 18 PRTF beds.

Projected utilization is reasonable and adequately supported based on the following:

- The projected utilization is based on the historical utilization of the applicant’s existing PRTF beds.
- The applicant’s projections are supported by the projected population growth in the proposed service area.

Access to Medically Underserved Groups

In Section D, page 75, the applicant states:

“CDBH will continue to offer PRTF bed services at its current Leland facility, to youth who are mentally ill or substance abusers in need of care in a non-acute inpatient setting, and whose removal from home or a community based residential setting is essential for treatment. Therefore, this planned inpatient psychiatric bed expansion project will have no negative impact on the ability of any of the above-listed groups to obtain services...PRTF services at CDBH will continue to be available, including to

low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved persons including the medically indigent, the uninsured and the underinsured.”

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use PRTF bed services will be adequately met following completion of the project for the following reasons:

- A large portion of CDBH services are provided to Medicare, Medicaid and uninsured patients.
- This project will not affect access by current and future patients defined as underserved.

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 demonstrates that the needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion for all the reasons described above.
- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.

- (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.

C

The applicant proposes to develop no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

In Section E, page 78, the applicant states that its proposal is the only alternative to meet the need for inpatient psychiatric services because of the existing need for additional inpatient psychiatric capacity in Trillium’s service area. Additionally, CDBH cannot convert acute care beds to inpatient psychiatric beds since CDBH is not an acute care hospital nor transfer beds from state-operated psychiatric facilities pursuant SMFP Policy PSY-1.

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

- The applicant adequately demonstrates that its proposal to develop additional inpatient psychiatric beds is the only option available to increase capacity.
- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other 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. SBH Wilmington, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop no more than 22 additional inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds (24 adult inpatient psychiatric beds and 38 child/adolescent inpatient psychiatric beds) and 54 psychiatric residential treatment facility beds at Carolina Dunes Behavioral Health upon project completion.**
- 3. Upon completion of the project, the certificate holder shall be licensed for no more than 62 inpatient psychiatric beds and 54 psychiatric residential treatment facility beds.**
- 4. The certificate holder shall accept patients requiring involuntary admission for inpatient psychiatric services at Carolina Dunes Behavioral Health.**
- 5. 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 June 1, 2023.**
6. **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.**
7. **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.**
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 no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

Capital and Working Capital Costs

In Section Q, page 134, the applicant projects the total capital cost of the project, as shown in the table below.

Capital Costs	
Construction/Renovation Contract(s)	\$887,300
Architect/Engineering Fees	\$50,050
Furniture	\$108,000
Consultant Fees (CON preparation and Submission)	\$60,000
Other (Contingency)	\$100,000
Total	\$1,205,350

In Section Q, page 134, 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. The applicant’s capital costs assumptions are based on the architect’s cost estimates for construction, furniture, consultant fees and project contingency.

In Section F, page 81, the applicant states that there will be no start-up expenses nor an initial operating period because CDBH is an existing licensed facility that currently operates inpatient psychiatric beds.

Availability of Funds

In Section F, page 79, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing		
Type	SBH Wilmington, LLC	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$1,205,350	\$1,205,350
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$1,205,350	\$1,205,350

*OE = Owner’s Equity

In Exhibit F.2, the applicant provides a letter from the chief financial officer of Summit BHC, the parent company to SBH Wilmington, LLC, authorizing the use of available funds from Summit Behavioral Holdings I, LLC, for the capital needs of the project. The applicant provides a bank account statement dated May 31, 2022, documenting the availability of funds.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

CDBH (Adults Psychiatric Beds)	1st Full FY CY 2025	2nd Full FY CY 2026	3rd Full FY CY 2027
Total Patient Days	6,340	6,473	6,608
Total Gross Revenues (Charges)	\$16,769,508	\$17,633,591	\$18,542,197
Total Net Revenue	\$10,496,929	\$11,037,804	\$11,606,549
Average Net Revenue per Patient Day	\$1,656	\$1,705	\$1,756
Total Operating Expenses (Costs)	\$5,071,917	\$5,325,890	\$5,594,896
Average Operating Expense per Day	\$800	\$823	\$847
Net Income	\$5,425,012	\$5,711,914	\$6,011,653

CDBH (Child/Adolescent Psychiatric Beds)	1st Full FY CY 2025	2nd Full FY CY 2026	3rd Full FY CY 2027
Total Patient Days	9,598	9,654	9,710
Total Gross Revenues (Charges)	\$25,386,856	\$26,300,123	\$27,246,244
Total Net Revenue	\$17,707,891	\$18,344,914	\$19,004,854
Average Net Revenue per Patient Day	\$1,845	\$1,900	\$1,957
Total Operating Expenses (Costs)	\$6,938,562	\$7,201,647	\$7,475,753
Average Operating Expense per Day	\$723	\$746	\$770
Net Income	\$10,769,329	\$11,143,267	\$11,529,101

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

- The facility’s historical experience offering inpatient psychiatric services and charge/cost data.
- 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 for the following reasons:

- The applicant adequately demonstrates that the 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 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 no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

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 does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility is located in Leland, Brunswick County and is served by the Trillium Health Resources LME/MCO. Thus, the service area for this facility consists of counties served by Trillium Health Resources. Trillium serves residents of Bladen, Brunswick, Carteret, Columbus, Halifax, Nash, New Hanover, Onslow, Pender, Beaufort, Bertie, Camden, Chowan, Craven, Currituck, Dare, Gates, Hertford, Hyde, Jones, Martin, Northampton, Pamlico, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington Counties. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved child/adolescent and adult beds located in the Trillium Health Resources LME/MCO service area, from pages 284-285 of the 2022 SMFP.

County	Facility	Total Beds	Total licensed beds	Days of Care
Beaufort	Vidant Beaufort Hospital	22	22	54
Brunswick	Carolina Dunes Behavioral Health	40	40	10,030
Craven	CarolinaEast Medical Center	23	23	3,899
Halifax	Vidant North Hospital	20	20	4,929
Hertford	Vidant Roanoke-Chowan Hospital	28	28	6,891
Nash	Nash General Hospital	44	44	5,728
New Hanover	New Hanover Medical Center	62	62	16,962
Onslow	Brynn Marr Hospital	72	72	23,984
Pitt	Vidant Medical Center	52	52	12,511
Total		363	363	84,988

In Section G, page 88, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved inpatient psychiatric bed services in the service area. The applicant states:

“Note that Vidant Beaufort Hospital closed its 22-bed inpatient psychiatric bed unit in 2019 and is no longer operational, and that according to its 2022 hospital license renewal application, only 14 of the 23 inpatient psychiatric beds at CarolinaEast Medical Center are operational. Thus, removing these 31 (22 + 9) non-operational beds provides a slightly different perspective on the overall Trillium inpatient psychiatric bed inventory.

...

Given the limited supply of inpatient psychiatric beds operating in the Trillium Health Resources service area (particularly for child/adolescent patients), expansion of CDBH inpatient psychiatric bed capacity will represent a valuable resource for behavioral health patients and their families. Because of the overall limited supply of inpatient psychiatric beds in North Carolina, CDBH anticipates that it will continue to serve patients from a broad catchment area. For example, as reported on the CDBH 2022 LRA, during FFY2021 over 85 percent of patients at the facility originated from counties outside Brunswick County, and more than 55% originated from counties outside the Trillium Health Resources LME... As a dedicated provider of inpatient behavioral health services, CDBH will continue to be a critical behavioral health services resource for residents of Brunswick County, the Trillium Health Resources LME, and from throughout North Carolina.”

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

- The applicant adequately demonstrates that the proposed project will improve access to inpatient psychiatric services in the Trillium catchment area and across North Carolina.
- The applicant adequately demonstrates that the proposed inpatient psychiatric beds are needed at CDBH in addition to the existing or approved inpatient psychiatric beds in the service area.

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 all the reasons described 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 no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

In Section Q, page 152, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	Current FTE Staff	Projected FTE Staff
	As of 05/31/2022	2nd Full Fiscal Year CY 2026
Registered Nurses	34.60	34.60
Certified Nurse Aides/Nursing Assistants	9.30	9.30
Directing of Nursing	1.00	1.00
Psychiatrists (Medical Director)	1.00	1.00
Counselors/Certified Counselors	12.50	12.50
Pharmacists	1.00	1.00
Pharmacy Technicians	1.50	1.50
Respiratory Therapists	2.50	2.50
Cooks	6.00	6.00
Dietary Aides	4.00	4.00
Social Worker	3.00	3.00
Activity Directors	1.00	1.00
Medical Records	2.00	2.00
Housekeeping	3.00	3.00
Information Technology	1.00	1.00
Maintenance/Engineering	3.00	3.00
Administrator/CEO	1.00	1.00
Chief Financial Officer	1.00	1.00
Business Office	3.00	3.00
Clerical/Reception	1.50	1.50
Other (Education)	6.00	6.00
Other (Behavioral Health Tech)	75.60	62.40
Other (Business Development)	2.00	2.00
Other (Human Resources)	2.00	2.00
Other (Admissions/Intake)	7.50	11.50
Other (Utilization Review)	3.00	4.00
Other (Quality Assurance/Risk Management)	1.00	1.00
TOTAL	190.00	181.80

The assumptions and methodology used to project staffing are provided in Section H, page 90. The applicant is proposing to reduce the number of PRTF beds; therefore, the applicant projects a decrease in facility staffing due to higher staffing ratios for PRTF beds compared to inpatient beds. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.3b. In Section H, page 90-92, the applicant describes the methods used to recruit or fill new positions and its existing 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:

- CDBH is a major employer in Brunswick County and has historically been able to recruit and retain clinical and non-clinical personnel for its behavioral health services.
- To ensure competency of all staff members, CDBH performs competency assessments during the hiring phase and throughout employment.

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.

- (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 no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

Ancillary and Support Services

In Section I, page 94, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 94-95, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibits I.1.1 and I.1.2. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the providers' commitment to continue to provide the necessary ancillary and support services.

Coordination

In Section I, pages 95-96, the applicant describes its existing and 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 local health care providers, which includes behavioral health, in the service area.

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. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to develop no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

In Section K, page 98, the applicant states that the project involves renovating 44,309 square feet of existing space. Line drawings are provided in Exhibit K.2.

On pages 98-99, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- Published construction cost data and the designer's experience with similar projects.
- The applicant's commitment to incorporate "*the most cost-effective design and means of renovation.*"

On page 99, 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 project involves renovation of an existing space that has already met licensure requirements and has ancillary and support services in place.
- Most payor sources are already set or have already been negotiated by payors.
- The additional inpatient psychiatric beds are projected to improve access for patients living in Brunswick County and Trillium's catchment area.

On page 99, 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;

C

In Section L, page 102, the applicant provides the historical payor mix during FY 2021 for the proposed services, as shown in the table below.

Carolina Dunes Behavioral Health Historical Payor Mix 10/01/2020-09/30/2021	
Payor Source	Percent of Total
Self-Pay (includes Charity Care)	0.7%
Medicare*	46.3%
Medicaid*	32.6%
Insurance*	20.4%
Total	100.0%

*Including any managed care plans.

In Section L, page 103, the applicant provides the following comparison.

Carolina Dunes Behavioral Health	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area*
Female	63.0%	51.4%
Male	37.0%	48.6%
Unknown	0.0%	0.0%
64 and Younger	63.0%	88.3%
65 and Older	37.0%	16.7%
American Indian	1.0%	1.6%
Asian	0.0%	3.2%
Black or African-American	13.0%	22.2%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	61.0%	70.6%
Other Race	24.0%	2.3%
Declined / Unavailable	0.0%	0.0%

*The percentages can be found online using the United States Census Bureau’s QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>.

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 applicant adequately documents 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. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and ... persons [with disabilities] to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 104, the applicant states:

“...However, as a licensed, Medicare-participating hospital, CDBH has an obligation to provide emergency assessment and stabilization services pursuant to EMTALA. CDBH will continue to discharge this duty pursuant to its policies and procedures, without respect to a patient’s source of payment or ability to

pay. In addition, CDBH has a financial assistance policy, providing for some degree of waiver of compensation to the facility for care provided, based on the patient's financial status, with reference to federal poverty guidelines."

In Section L, page 105, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section L, page 105, 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.

Carolina Dunes Behavioral Health Projected Payor Mix, CY 2027	
Payor Source	Percent of Total
Self-Pay (includes Charity Care)	0.3%
Medicare*	30.5%
Medicaid*	45.7%
Insurance*	20.3%
TRICARE	3.2%
Total	100.0%

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.3% of total services will be provided to charity care and self-pay patients, 30.5% to Medicare patients and 45.7% to Medicaid patients.

On page 106, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the

project. The projected payor mix is reasonable and adequately supported based on the following:

- The facility's most recent payor mix for CDBH adult and adolescent inpatient psychiatric services during CY 2021.
- The existing relationships with referring physicians and Local LMEs will not change with the development of this project.

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 107, 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 no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

In Section M, page 109, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- CDBH’s status as a facility that is open to area schools and clinical training programs interested in having a clinical site for student clinical training rotations.
- The applicant’s existing clinical training agreement with the University of North Carolina Wilmington to hosts students from School of Nursing, School of Social Work, and the School of Health and Applied Human Sciences.

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.

- (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 no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds and 54 PRTF beds upon project completion.

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 does not discuss a need methodology or provide a definition of “service area” for psychiatric inpatient services, nor are there any applicable rules adopted by the Department that define the service area for psychiatric inpatient services. The proposed facility is located in Leland, Brunswick County and is served by the Trillium Health Resources LME/MCO. Thus, the service area for this facility consists of counties served by Trillium Health Resources. Trillium serves residents of Bladen, Brunswick, Carteret, Columbus, Halifax, Nash, New Hanover, Onslow, Pender, Beaufort, Bertie, Camden, Chowan, Craven, Currituck, Dare, Gates, Hertford, Hyde, Jones, Martin, Northampton, Pamlico, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington Counties. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved child/adolescent and adult beds located in the Trillium Health Resources LME/MCO service area, from pages 284-285 of the 2022 SMFP.

County	Facility	Total Beds	Total licensed beds	Days of Care
Beaufort	Vidant Beaufort Hospital	22	22	54
Brunswick	Carolina Dunes Behavioral Health	40	40	10,030
Craven	CarolinaEast Medical Center	23	23	3,899
Halifax	Vidant North Hospital	20	20	4,929
Hertford	Vidant Roanoke-Chowan Hospital	28	28	6,891
Nash	Nash General Hospital	44	44	5,728
New Hanover	New Hanover Medical Center	62	62	16,962
Onslow	Brynn Marr Hospital	72	72	23,984
Pitt	Vidant Medical Center	52	52	12,511
Total		363	363	84,988

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 110, the applicant states:

“With development of the additional beds, CDBH will have a positive effect on competition in the Trillium Health Resources service area of North Carolina. Specifically, the proposed additional beds will increase the capacity of cost effective, high quality inpatient services that will be accessible by local residents...The project will enable CDBH to better meet the needs of the patient population in the local LME service area, and to ensure more timely provision of and access to inpatient services for North Carolina residents.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 110, the applicant states:

“CDBH will lessen local bed capacity constraints and reduce the potential for inpatient wait times, including at acute care hospital Emergency Departments. Additional local access to inpatient psychiatric beds will decrease the strain on local emergency departments. Instead of languishing in an emergency department or observation unit, psychiatric patients can be appropriately admitted to an inpatient bed in a timelier manner. This reduces the total healthcare resources expended for each patient.

The project capital cost is modest, with modest facility renovation/update costs. The project leverages the existing facility infrastructure, as patient ancillary and support spaces such as the administrative, plant operations, and kitchen and food preparation areas already exist in the CDBH facility.”

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

Regarding the impact of the proposal on quality, in Section N, page 111, the applicant states:

“CDBH will continue to utilize quality-related policies and procedures established and used by Summit BHC. These quality management programs emphasize a customer-oriented perspective that is used to determine the needs of patients, physicians, and others who utilize behavioral health services. Specific examples are quality/performance improvement, utilization review, risk management, infection prevention and control, and safety management”.

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 N, page 111, the applicant states:

“CDBH is committed to access to care for all in need. CDBH will continue to accommodate 24/7/365 admissions of both voluntary and involuntary patients. Consistent with the current business practice of parent Summit BHC, all services offered by CDBH are available to all persons who present themselves for services, without regard to race, color, religion, gender, age, national origin, disability, or ability to pay.

...

...CDBH anticipates that physicians will continue to refer their patients who are medically indigent. CDBH projects to continue to serve Medicaid patients upon completion of the proposed bed addition project.

...

CDBH will continue to provide charity care for certain situations, determined on a case-by-case basis.”

See also Section L and C 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 and the applicant’s record of providing quality care in the past.

- 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 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 all the reasons described above.

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

C

In Section Q, page 153, the applicant identifies the inpatient psychiatric facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies two of this type of facility located in North Carolina.

In Section O, page 117, the applicant states that since the acquisition of Carolina Dunes Behavioral Health in January 2022 and Raleigh Oaks Behavioral Health in February 2022 by Summit BHC, DHSR nor CMS has found incidents of immediate jeopardy. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred had not occurred in any of these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all both facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

The applicant proposes to develop no more than 22 inpatient psychiatric beds for a total of no more than 62 inpatient psychiatric beds upon project completion. There are no administrative rules that are applicable to the proposed project.