

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: July 11, 2022

Findings Date: July 11, 2022

Project Analyst: Gregory F. Yakaboski

Co-Signer: Mike McKillip

Project ID #: F-12219-22

Facility: Charlotte Detox Center

FID #: 220397

County: Mecklenburg

Applicants: Charlotte Detox Center LLC

Focus Ten Health Group LLC

Project: Develop a 16-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.

**NA**

Charlotte Detox Center LLC and Focus Ten Health Group LLC (hereinafter collectively referred to as “the applicants”) propose to develop a 16-bed chemical dependency treatment facility, to be known as Charlotte Detox Center, within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte. The beds at the facility are referred to as either chemical dependency treatment beds or substance use disorder beds.

The Carolina Center for Recovery is a licensed day treatment facility with 70 beds (16-private rooms and 21-semiprivate rooms) for individuals with substance abuse disorders.

The Charlotte Detox Center has common ownership with both the Carolina Center for Recovery and with South Carolina Addiction Treatment located in Simpsonville, South Carolina.

The applicant does not propose to:

- develop any beds or services for which there is a need determination in the 2022 State Medical Facilities Plan (SMFP).
- acquire any medical equipment for which there is a need determination in the 2022 SMFP.
- offer a new institutional health service for which there are any policies in the 2022 SMFP.

Therefore, Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.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 16-bed chemical dependency treatment facility within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte.

### **Patient Origin**

The 2022 SMFP does not define a service area for chemical dependency (substance use disorder) beds. In Section C, page 33, the applicant defines the primary service area for the proposed project as consisting of Mecklenburg, Cabarrus, Union and Gaston counties. Facilities may also serve residents of counties not included in their service area.

Charlotte Detox Center is not an existing facility. The following table illustrates projected patient origin.

County	Charlotte Detox Center Projected Patient Origin					
	1 <sup>st</sup> Full FY (CY 2023)		2 <sup>nd</sup> Full FY (CY 2024)		3 <sup>rd</sup> Full FY (CY 2025)	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
Mecklenburg	88	36.6%	91	36.6%	91	36.6%
Cabarrus	15	6.1%	15	6.1%	15	6.1%
Union	15	6.1%	15	6.1%	15	6.1%
Gaston	9	3.8%	9	3.8%	9	3.8%
Other NC Counties	64	26.5%	66	26.5%	66	26.5%
South Carolina	37	15.5%	39	15.5%	39	15.5%
Other States	13	5.4%	13	5.4%	13	5.4%
<b>Total</b>	<b>241</b>	<b>100.0%</b>	<b>249</b>	<b>100.0%</b>	<b>249</b>	<b>100.0%</b>

Source: Section C, page 30.

In Section C.3, page 30, 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 FY2021 historical patient origin of Carolina Center for Recovery’s substance abuse program.

**Analysis of Need**

In Section C.4, pages 32-46, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- Growth Trends in the Primary Service Area of Mecklenburg, Cabarrus, Union and Gaston counties (see page 33).
- Opioid Addiction in North Carolina (see pages 34-44).
- Alcohol Addiction in North Carolina (see pages 45-46).

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

- In the primary service area, the 18-44 age group, which accounts for 75.0 percent of substance abuse treatment cases at the Carolina Center for Recovery, is projected by the North Carolina Office of Budget and Management (NCOBM) to increase by 14.2 percent from 2022 to 2032. The overall population of the primary service area is projected to grow by 17.7 percent from 2022 to 2032.
- The opioid epidemic has resulted in five people dying from opioid overdoses every day, more people die from opioid overdoses than car crashes, in 2020 in Mecklenburg, Gaston, Cabarrus and Union counties per 100,000 people 21.3; 25.4; 34.6 and 17.9 residents respectively, died from an overdose.
- The applicant states that a summary from the North Carolina Department of Justice website states, in part, that North Carolina lacks the number of treatment programs to address the opioid epidemic.
- The applicant states that excessive alcohol use puts people at risk for chronic health conditions, motor vehicle crashes, injuries and violence. The applicant cites the December

2019 NC Department of Health and Human Services North Carolina State Health Assessment that 6.5 percent of North Carolinians self-reported “heavy drinking” with 8.2 percent of this group falling within the 18-34-year-old age group and 7.6% falling within the 35-44-year-old age group.

Projected Utilization

In Section Q, the applicant provides projected utilization, as illustrated in the following table.

	1 <sup>st</sup> FFY (CY2023)	2 <sup>nd</sup> FFY (CY2024)	3 <sup>rd</sup> FFY (CY2025)
# of Patients	241	249	249
Average Length of Care in Days	23	23	23
# of Beds	16	16	16
# of Days of Care	5,552	5,727	5,727
Occupancy Rate*	95.0%	98.0%	98.0%

\*Occupancy Rate = [Days of Care/ Available Residential Treatment Days]. Available Residential Treatment Days = 365.25 days in the year x 16 beds = 5,844 Available Residential Treatment Days.

In Section Q, Form C, Utilization Methodology and Assumptions, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

The Charlotte Detox Center will be located within the facility of The Carolina Center for Recovery which is a day treatment center for substance abuse. The Charlotte Detox Center and The Carolina Center for Recovery have common ownership.

The Carolina Center for Recovery has 37 rooms with 70 beds and an average daily census of 70 patients. The applicant states *“The facility has the current number of rooms and beds to accommodate day treatment clients who are either from outside of Charlotte, has no means to provide their own housing during day treatment, or need the removal of societal distractions to better reach their goals of recovery.”*

The applicant states that nearly 100% of the patients of Carolina Center for Recovery would meet the requirements for a residential program.

The applicant also operates the South Carolina Addiction Treatment facility in Simpsonville, South Carolina (see page 22).

The applicant, as shown in the table above, projects 95.0% occupancy in operating year one and 98.0% in operating years two and three based on both:

- the ability of Carolina Center for Recovery to transfer clients to Charlotte Detox Center, as a bed becomes available and the patient requires the additional residential treatment; and

- the South Carolina Addiction Treatment facility to detox clients and relocate them to the Charlotte Detox Center.

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

- The 16-bed Charlotte Detox Center will be in the same facility as the Carolina Center for Recovery. Charlotte Detox Center has common ownership with the Carolina Center for Recovery and the South Carolina Addiction Treatment facility, both of which will be a source of patients for the Charlotte Detox Center.
- The Carolina Center for Recovery currently has an ADC of 70 patients almost 100% of whom the applicant states are eligible for the 16-bed residential program to be offered by the Charlotte Detox Center.
- The applicant has common ownership with the South Carolina Addiction Treatment facility. After patients have been detoxed the applicant plans to relocate them to the Charlotte Detox Center.

### **Access to Medically Underserved Groups**

In Section C.6, page 52, the applicant states,

*“Charlotte Detox Center will be equally accessible to all persons, including those with low income, racial and ethnic minority groups, women, people with disabilities, and the elderly. However, due to the presence of four other facilities in the service area, Charlotte Detox Center will not seek Medicare and Medicaid certification.”*

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

<b>Medically Underserved Groups</b>	<b>Percentage of Total Patients</b>
Low income persons	5.0%
Racial and ethnic minorities	35.0%
Women	27.0%
Persons with Disabilities	2.0%
The elderly	5.0%
Medicare beneficiaries	0.0%
Medicaid recipients	0.0%

Source: Table on page 52 of the application.

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 reasons:

- Patients will have access to the facility through discharge planners, self-referrals, social workers and family.
- The facility has a written “2022 Accessibility Plan for the Charity Care, Financial Hardship and Financial Assistance/Uninsured Discount Policy.” See Exhibit C.6.

## **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.

### **NA**

The applicant does not propose to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

### **CA**

The applicant proposes to develop a 16-bed chemical dependency treatment facility within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte.

In Section E, page 62, the applicant states that there are no alternative methods of meeting the need for the proposed project.

On page 62, the applicant states that its proposal is the most effective alternative because

*“The Carolina Center for Recovery currently provides day treatment for substance abuse and utilizes beds within its facility to house day treatment clients who lack a support network or housing to successfully achieve their sobriety goals. Many day treatment clients would be better served in a residential treatment program to eliminate distractions and improve their ability to achieve their sobriety goals.*

*Charlotte Detox Center can accomplish the proposed project with no construction or renovation costs.”*

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 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. Charlotte Detox Center LLC and Focus Ten Health Group LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a 16-bed chemical dependency (substance use disorder) treatment facility.**
- 3. Upon completion of the project, Charlotte Detox Center shall be licensed for no more than 16 chemical dependency (substance use disorder) 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 October 1, 2022.**
- 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**

6. **No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. **Payor mix for the services authorized in this certificate of need.**
    - b. **Utilization of the services authorized in this certificate of need.**
    - c. **Revenues and operating costs for the services authorized in this certificate of need.**
    - d. **Average gross revenue per unit of service.**
    - e. **Average net revenue per unit of service.**
    - f. **Average operating cost per unit of service.**
  7. **The certificate holder shall 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 16-bed chemical dependency treatment facility within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte.

**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.

Miscellaneous Costs	\$60,000
<b>Total</b>	<b>\$60,000</b>

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

In Section F, page 65, the applicant projects that start-up costs will be \$66,555 and that there will be no initial operating expenses for a total working capital of \$66,555. On page 66, 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 following:

- Start-up costs are based on an identified portion of salaries and benefits for Year 1.
- In the proformas the project shows a positive net income for year one, therefore the applicant projects no initial operating expenses.

**Availability of Funds**

In Section F.2, page 63, the applicant states that the capital cost will be funded, as shown in the table below.

**Sources of Capital Cost Financing**

Type	Charlotte Detox Center	Total
Loans	\$	\$
Cash and Cash Equivalents	\$60,000	\$60,000
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$60,000	\$60,000

In Section F.3, page 67, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

**Sources of Financing for Working Capital**

Type	Amount
Loans	\$
Cash or Cash Equivalents	\$66,555
Lines of credit	\$
Bonds	\$
<b>Total *</b>	\$66,555

In Exhibit F.2 and F.3 the applicant provides a copy of a letter dated May 10, 2022 from the Chief Executive Officer of Focus Ten Health Group LLC, one of the applicants, stating that \$130,000 would be transferred to Charlotte Detox Center LLC to develop the proposed project.

Exhibit F.2 and F.3 also contain a copy of a letter dated May 10, 2022 from the Chief Executive Officer of Charlotte Detox Center LLC committing to use the \$130,000 for the capital and working capital needs of the proposed project.

Exhibit F.2 and F.3 also contain a copy of a bank statement, dated May 5, 2022, for Focus Ten Health Group LLC documenting the availability of the \$130,000.

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

- Exhibit F.2 and F.3 contain a bank statement for Focus Ten Health Group LLC documenting the availability of the \$130,000.
- Exhibit F.2 and F.3 contain copies of letters documenting both the commitment to transfer \$130,000 to Charlotte Detox Center LLC and a commitment by Charlotte Detox Center LLC to use these funds to cover the projected capital and working capital costs of the proposed project.

**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.

	<b>1<sup>st</sup> Full Fiscal Year (CY 2023)</b>	<b>2<sup>nd</sup> Full Fiscal Year (CY 2024)</b>	<b>3<sup>rd</sup> Full Fiscal Year (CY2025)</b>
Total Days of Care	5,552	5,727	5,727
Total Gross Revenues (Charges)	\$16,100,200	\$16,608,648	\$16,608,648
Total Net Revenue	\$4,223,532	\$4,356,907	\$4,356,907
Average Net Revenue per Days of Care	\$761	\$761	\$761
Total Operating Expenses (Costs)	\$2,722,460	\$2,790,773	\$2,850,127
Average Operating Expense per Days of Care	\$490	\$487	\$498
Net Income	\$1,501,072	\$1,566,133	\$1,506,780

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:

- Projected charges and revenues are reasonable and adequately supported.
- Projected operating expenses are reasonable and adequately supported.
- 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 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 16-bed chemical dependency treatment facility within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte.

The 2022 SMFP does not define a service area for chemical dependency (substance use disorder) beds. In Section C, page 30, the applicant defines the primary service area for the proposed project as consisting of Mecklenburg, Cabarrus, Union and Gaston counties. Facilities may also serve residents of counties not included in their service area.

In the 2022 SMFP Table 15A, page 290, four existing residential facilities with chemical dependency (substance abuse disorder) beds are identified in the proposed service area as shown in the following table:

County	Provider	Beds	Days of Care	% Utilization of Licensed Beds Only
Gaston	Phoenix Counseling Center	6	0	0.0%
Mecklenburg	Anuvia Prevention and Recovery Center	32	11,794	100.9%
Mecklenburg	McLeod Addictive Disease Center	30	6,531	59.6%
Mecklenburg	CMC/Center for Mental Health	11	5,700	141.9%

Note: Table 15A in the 2022 SMFP also identifies Chemical Dependency (Substance Abuse Disorder) Beds located in hospitals.

In Section G, page 74, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved chemical dependency (substance use disorder) beds services in the service area consisting of Mecklenburg, Cabarrus, Union and Gaston counties . The applicant states:

*“The licensed chemical dependency treatment beds ... indicates a wide range of occupancy, from 0.0 percent ... to 141.9 percent ... no data exists to determine if the lower occupancy rates are patient-related or facility-related, such as lower staffing levels or other health care service affected by the COVID-19 pandemic.”*

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 16-bed chemical dependency treatment residential facility is needed in addition to the existing or approved residential chemical dependency treatment facilities based on reasonable and adequately supported projected utilization. The analysis of projected utilization in Criterion (3) is incorporated herein by reference.
- There is no publicly available data by which to determine the reason for the lower occupancy rates at Phoenix Counseling Center and McLeod Addictive Disease Center.
- Two of the four existing residential treatment facilities in the service area identified in the table above have utilization rates exceeding 100%: specifically, 100.9% and 141.9%.

### **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 a 16-bed chemical dependency treatment facility within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte.

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	Projected FTE Staff		
	1 <sup>st</sup> FFY CY 2023	2 <sup>nd</sup> FFY CY 2024	3 <sup>rd</sup> FFY CY 2025
Clinical Director/Psychologist	1.00	1.00	1.00
Advanced RN Practitioner	1.00	1.00	1.00
Program Nurse (RN)	5.00	5.00	5.00
Therapist (Qualified Professional)	2.00	2.00	2.00
Group Facilitator	2.00	2.00	2.00
Behavioral Health Technician	3.00	3.00	3.00
Director of Admissions	0.50	0.50	0.50
Business Development	0.33	0.33	0.33
Billing Specialist	0.50	0.50	0.50
Maintenance	0.50	0.50	0.50
Line Cook	1.00	1.00	1.00
Housekeeping	1.00	1.00	1.00
<b>TOTAL</b>	<b>17.83</b>	<b>17.83</b>	<b>17.83</b>

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section H.2 and H.3, pages 76-77, and Exhibit H.2 and H.3, 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 information provided in Section H, pages 76-77, Section Q, Form H and Exhibits H.2 and H.3, as described above.

**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.

The applicant proposes to develop a 16-bed chemical dependency treatment facility within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte.

### **Ancillary and Support Services**

In Section I.1, page 79, the applicant identifies the necessary ancillary and support services for the proposed services. On page 80, the applicant explains how each ancillary and support service is or will be made available.

The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

### **Coordination**

In Section I.2, page 81, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit 1.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant states that while Charlotte Detox Center will be a new facility it is being developed within the facility of Carolina Center for Recovery, an existing day treatment program. Charlotte Detox Center and the Carolina Center for Recovery have common ownership.
- The applicant states that the Carolina Center for Recovery *“has established relationships with local health care and social service providers in the area. These relationships will continue with the development of the chemical dependency treatment beds.”*

### **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.

NA

The applicant does not propose to construct any new space or renovate any existing space. Therefore, Criterion (12) is not applicable to this review.

- (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

Charlotte Detox Facility is not an existing facility. Therefore, Criterion (13a) 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

Charlotte Detox Facility is not an existing facility. Therefore, Criterion (13b) 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 92, 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	Percent of Total Patients Served
Self-Pay	13.0%
Insurance*	87.0%
<b>Total</b>	<b>100.0%</b>

Source: Table on page 92 of the application.

\*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 13.0% of total services will be provided to self-pay patients.

On page 92, 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 FY2022 historical payor mix of Carolina Center for Recovery's client payor mix for outpatient substance abuse treatment.

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.5, page 94, 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 16-bed chemical dependency treatment facility within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte.

In Section M.1, page 96, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1 (Tab 12). 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:

- The application states *“Charlotte Detox Center will commit to accommodate the needs of these health training programs and will be available to students from these training programs.”*
- In Exhibit M.1, the applicant provides copies of letters to UNC Charlotte, Queens University of Charlotte, Gaston College and Cabarrus College of Health expressing their willingness to establish a clinical training agreement.

- The Charlotte Detox Center is proposed to be developed within the Carolina Center for Recovery day treatment center which has “*working relationships with health professional training programs throughout 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.

- (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 16-bed chemical dependency treatment facility within the existing Carolina Center for Recovery day treatment center located at 7349 Statesville Road in Charlotte.

The 2022 SMFP does not define a service area for chemical dependency (substance abuse disorder) beds. In Section C, page 30, the applicant defines the primary service area for the proposed project as consisting of Mecklenburg, Cabarrus, Union and Gaston counties. Facilities may also serve residents of counties not included in their service area.

In the 2022 SMFP Table 15A, page 290, four existing residential facilities with chemical dependency (substance abuse disorder) beds are identified in the proposed service area as shown in the following table:

County	Provider	Beds	Days of Care	% Utilization of Licensed Beds Only
Gaston	Phoenix Counseling Center	6	0	0.0%
Mecklenburg	Anuvia Prevention and Recovery Center	32	11,794	100.9%
Mecklenburg	McLeod Addictive Disease Center	30	6,531	59.6%
Mecklenburg	CMC/Center for Mental Health	11	5,700	141.9%

Note: Table 15A in the 2022 SMFP also identifies Chemical Dependency (Substance Abuse Disorder) Beds located in hospitals.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 98, the applicant states:

*“Choice helps promote competition and competition helps promote better alternatives for clients. Charlotte Detox Center will complement the needs and growing demands of the clients, staff, and physicians within the service area.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 99, the applicant states:

*“Charlotte Detox Center can develop chemical dependency treatment beds without having to perform any renovations, construct a new facility, or purchase furniture. Charlotte Detox Center’s proposed total project cost is less than \$60,000, which is only \$3,750 per chemical dependency treatment bed.”*

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

Regarding the impact of the proposal on quality, in Section N, page 99, the applicant states:

*“Charlotte Detox Center believes that quality should be a measure of whether services increase the likelihood of desired substance abuse treatment outcomes and are consistent with current evidence-based practice. For people with substance abuse disorders, their families; it emphasizes that services should produce positive outcomes. For practitioners it emphasizes the best use of current knowledge and technology.”*

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 100, the applicant states:

*“Charlotte Detox Center will not discriminate against any class of client based on age, sex, religion, race, handicap, ethnicity, or ability to pay. In the third year of the project, Charlotte Detox Center is projected to provide more than \$1.3 million in charity care.”*

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.
- 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.

**NA**

The proposed facility, Charlotte Detox Center is not an existing facility. In Section O and Form O the applicant did not identify any other facilities located in North Carolina owned, operated or managed by the applicant or a related entity.

- (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 Criteria and Standards for Substance Use Disorder (Chemical Dependency Treatment) Beds (10A NCAC 14C .2503) were repealed as of January 1, 2022