

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: July 8, 2022

Findings Date: July 8, 2022

Project Analyst: Kim Meymandi

Co-Signer: Mike McKillip

Project ID #: J-12221-22

Facility: Raleigh Oaks Behavioral Health

FID #: 220400

County: Wake

Applicant(s): Garner Behavioral Hospital, LLC

Project: Develop no more than 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds

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

The applicant, Garner Behavioral Hospital, LLC, hereinafter referred to as the “applicant”, proposes to develop no more than 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion. Raleigh Oaks Behavioral Health (ROBH) was previously owned and operated by SBH Raleigh, LLC and was licensed as Strategic Behavioral Center-Garner.

Table 14A, page 285 of the State Medical Facilities Plan (SMFP) lists Strategic Behavioral Center-Garner with 56 inpatient psychiatric beds in the inventory of Wake County inpatient psychiatric beds. Therefore, following completion of the project, Strategic Behavioral Center-Garner will no longer be licensed for any inpatient psychiatric beds, and ROBH will be licensed for 116 inpatient psychiatric beds.

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 pages 26-27 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.b contains a copy of a letter from the local management entity-managed care organization (LME/MCO) for Wake County, Alliance Health, 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

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

- The applicant adequately demonstrates that the proposal is consistent with Policy MH-1, by providing documentation that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.
- (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 no more than 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion.

Patient Origin

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2022 SMFP 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 Garner, Wake County and is served by the Alliance Health LME/MCO. Thus, the service area for this facility consists of counties served by Alliance Health. Alliance Health serves people in Cumberland, Durham, Johnston, Mecklenburg, Orange and Wake Counties. Facilities may also serve residents of counties not included in their service area.

In Section C, page 32, the applicant states that ROBH is not an existing facility. Therefore, there is no historical patient origin to report. In Section C, page 36, the applicant projects patient origin based on historical patient origin for eight of the 10 inpatient psychiatric facilities located within the Alliance Health LME/MCO as reported on the facilities’ 2022 license renewal application (LRA). The applicant states they excluded data from Alliance Health LME/MCO facilities located in Mecklenburg County due to geographical distance from Wake County. The following tables illustrate historical patient origin from the eight facilities in the Alliance Health LME excluding data from facilities located in Mecklenburg County and projected patient origin of the proposed facility.

Child and Adolescent Psychiatric IP Bed Patient Origin

County	FY2021 Alliance Health LME Facilities*		ROBH 3 rd Full FY 1/1/2026-12/31/2026	
	Days of Care	% of Total	Days of Care	% of Total
Cumberland	838	2.6%	19	2.6%
Durham	1,161	3.6%	26	3.6%
Johnston	817	2.6%	19	2.6%
Mecklenburg	1,117	3.5%	25	3.5%
Orange	1,148	3.6%	26	3.6%
Wake	8,069	25.3%	184	25.3%
Non-Alliance Health LME Counties	18,393	57.6%	419	57.6%
Out of State	392	1.2%	9	1.2%
Total	31,995	100.0%	728	100.0%

*Excluding Mecklenburg County facilities
 Totals may not foot due to rounding

Adult Psychiatric IP Bed Patient Origin

County	FY2021 Alliance Health LME Facilities*		ROBH 3 rd Full FY 1/1/2026-12/31/2026	
	Days of Care	% of Total	Days of Care	% of Total
Cumberland	5,385	4.5%	104	4.5%
Durham	9,432	7.9%	182	7.9%
Johnston	6,360	5.4%	122	5.4%
Mecklenburg	2,445	2.1%	47	2.1%
Orange	5,945	5.0%	114	5.0%
Wake	41,509	34.9%	799	34.9%
Non-Alliance Health LME Counties	44,370	37.3%	854	37.3%
Out of State	3,422	2.9%	66	2.9%
Total	118,868	100.0%	2,288	100.0%

*Excluding Mecklenburg County facilities
 Totals may not foot due to rounding

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

- The applicant uses patient origin information from the most recent LRAs of psychiatric inpatient facilities managed by Alliance LME/MCO.
- The applicant excludes data from Alliance LME/MCO facilities located in Mecklenburg County.

Analysis of Need

In Section C.4, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On pages 38-59, the applicant states that the specific need for the project is based on the following factors:

- Service Area Population Growth (pages 39-42);
- Increasing Utilization of Inpatient Psychiatric Beds (pages 42-43);
- Alliance Health Inpatient Psychiatric Bed Inventory and Utilization (pages 43-44);
- Increasing Prevalence of Mental Health Illness (pages 44-51);
- Limited Access to Inpatient Psychiatric Beds (pages 51-55);
- Psychiatric Patients Boarding in Emergency Departments, and evidence of Behavioral Health Crisis in North Carolina (pages 55-58);
- North Carolina DHHS Mental Health Initiatives (page 58);
- The affordable Care Act and Parity Laws (page 59);

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

- The applicant provides reasonable information to support area residents' need for access to inpatient psychiatric treatment.
- The applicant uses reasonable demographic data to make assumptions regarding the population to be served, and the need for the proposed services.
- The information relative to the need for inpatient psychiatric care throughout North Carolina is based upon published statistical data on mental health in North Carolina.
- The Patient Protection and Affordable Care Act (Affordable Care Act) provided for an expansion of coverage for mental health and substance abuse disorders by requiring coverage by health insurance plans, creating greater access to such services and thus maintaining demand for those service.
- The applicant cites data that one in eight hospital emergency room visits involve a psychiatric emergency.
- According to data from the North Carolina office of State Budget and Management, the population of Wake County and the overall Alliance Health service area is projected to grow, which will impact the demand for psychiatric inpatient services.

Projected Utilization

In Section Q, Form C.1b, the applicant projects utilization for the 96 adult and 20 Child/Adolescent inpatient psychiatric beds as illustrated in the following table:

ROBH Projected Utilization

	1 st Full FY CY2024	2 nd Full FY CY2025	3 rd Full FY CY 2026
Adult Psychiatric Beds			
# of Beds	96	96	96
Days of Care	16,904	27,456	27,456
Occupancy Rate	48.2%	78.4%	78.4%
Child/Adolescent Psychiatric Beds			
# of Beds	20	20	20
Days of Care	4,802	5,824	5,824
Occupancy Rate	65.8%	79.8%	79.8%

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

Child/Adolescent Inpatient Psychiatric Beds

- The applicant assumes three patient admissions during the first week of operation with a gradual increase in admission frequency and numbers during the first 20 weeks of operation.
- In section Q, pages 120-121, the applicant provides a table for project year one showing the number of new admissions, days of care for the new admits, continuing days of care, total days of care and percent bed occupancy rates.
- The applicant assumes an average length of stay (ALOS) of eight days based on the ALOS data derived from 2022 LRAs of behavioral hospitals in Wake County provided in Section Q, page 122 and shown in the table below.

Facility	SBC-Garner	Holly Hill	Triangle Springs	UNC Wakebrook	Total
Days of Care	13,836	75,349	15,428	7,813	112,426
Discharges	1,106	8,369	1,769	572	11,816
ALOS	12.51	9.00	8.72	13.66	9.51

- The applicant assumes that in project years two and three, ROBH will maintain a rate of 14 new admissions each week, resulting in occupancy rates for the first three operating years as shown in the following table:

Projected Child/Adolescent Bed Occupancy

	FY2024	FY2025	FY2026
Licensed Beds	20	20	20
1Q	591	1,456	1,456
2Q	1,299	1,456	1,456
3Q	1,456	1,456	1,456
4Q	1,456	1,456	1,456
Total	4,802	5,824	5,824
% Occupancy	65.8%	79.8%	79.8%

- As shown in the table above, the applicant projects the 20 child/adolescent inpatient psychiatric beds will operate at 79.8% of capacity [(5,824 days / 365 days per year) / 20 beds = 0.85] in the second and third years of operation.

Adult Inpatient Psychiatric Beds

- The applicant assumes three patient admissions during the first week of operation with a gradual increase in admission frequency and numbers during the first 42 weeks of operation.
- In section Q, pages 123-124, the applicant provides a table for project year one showing the number of new admissions, days of care for the new admits, continuing days of care, total days of care and percent bed occupancy rates.
- The applicant assumes an average length of stay (ALOS) of 12 days based on the ALOS data derived from 2022 LRAs of behavioral hospitals in Wake County provided in Section Q, page 124 and shown in the table below.

Facility	SBC-Garner	Holly Hill	Triangle Springs	UNC Wakebrook	Total
Days of Care	13,836	75,349	15,428	7,813	112,426
Discharges	1,106	8,369	1,769	572	11,816
ALOS	12.51	9.00	8.72	13.66	9.51

- The applicant assumes that in project years two and three, ROBH will maintain a rate of 44 new admissions each week, resulting in occupancy rates for the first three operating years as shown in the following table:

Projected Adult Bed Occupancy

	FY2024	FY2025	FY2026
Licensed Beds	96	96	96
1Q	1,329	6,864	6,864
2Q	3,367	6,864	6,864
3Q	5,395	6,864	6,864
4Q	6,813	6,864	6,864
Total	16,904	27,456	27,456
% Occupancy	48.2%	78.4%	78.4%

- As shown in the table above, the applicant projects the 96 adult inpatient psychiatric beds will operate at 78.4% of capacity [(27,456 days / 365 days per year) /96 beds = 0.784] in the second and third years of operation.

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

- The applicant has experience developing and acquiring inpatient behavioral health facilities throughout the nation.
- The applicant bases the projected ALOS on its experience operating other inpatient behavioral health facilities in the nation as well as historical ALOS for other behavioral health inpatient facilities located in Wake County.
- The applicant uses population growth data and data regarding mental health disorders and treatment utilization for Wake County and the overall Alliance Health service area as a basis for projections.

Access to Medically Underserved Groups

In Section C, page 64, the applicant states:

“ROBH will offer access to care for the medically underserved. ROBH will not discriminate based on race, color, religion, gender, ethnic or national origin, age, disabilities, or ability to pay.”

On page 65, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients in the 3rd Full Fiscal Year
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	26.9%
Medicaid recipients	23.9%

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 May 2022.

- The percentages for Medicare beneficiaries and Medicaid recipient groups are based on the historical access by these medically underserved groups at Alliance Health behavioral health facilities 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.

NA

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

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

CA

The applicant proposes to develop no more than 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion.

In Section E, page 73, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo – The applicant states this was not an effective alternative due to the fact that it would not meet the need for additional inpatient psychiatric capacity in the Alliance Health service area and in North Carolina.

- Convert acute care beds to psychiatric beds-The applicant states this is not an effective alternative because ROBH is not an acute care hospital and therefore does not have acute care beds available for conversion.

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 1. Garner Behavioral Hospital, 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 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health upon project completion.**
- 3. Upon completion of the project, the certificate holder shall be licensed for no more than 116 inpatient psychiatric beds.**
- 4. The certificate holder shall accept patients requiring involuntary admission for inpatient psychiatric services at Raleigh Oaks Behavioral Hospital.**
- 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 February 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 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion.

Capital and Working Capital Costs

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

Proposed Capital Cost

Construction/Renovation Contract(s)	\$804,250
Architect/Engineering Fees	\$72,500
Other (Contingency & Consultant Fees)	\$153,000
Total	\$1,029,750

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

- Costs are based on the experience of the project architect and supporting documentation provided in Exhibit F.1.

In Section F, pages 76-77, the applicant projects that start-up costs will be \$110,000 and initial operating expenses will be \$275,000 for a total working capital of \$385,000. On page 77 and Section Q, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the information regarding projected start-up costs and initial operating expenses provided on pages 76-77 and in Section Q.

Availability of Funds

In Section F.2, page 77, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Garner Behavioral Hospital, LLC	Total
Loans	\$0	\$0
Cash and Cash Equivalents, Accumulated reserves or OE *	\$385,000	\$385,000
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$385,000	\$385,000

* OE = Owner's Equity

In Section F, pages 78 and 79, the applicant states that the capital costs and working capital costs of the project will be funded with cash reserves of Summit BHC. In Exhibit F.2, the applicant provides a letter dated May 11, 2002, from the Chief Financial Officer of Summit BHC documenting that Summit BHC is the ultimate parent of company of Garner Behavioral Hospital, LLC and its intention to provide as much as \$2,000,000 to cover all capital and working capital costs of the proposed project. Exhibit F.2 contains a bank statement for Summit Behavioral Healthcare, LLC for the period ending April 29, 2022.

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

- Exhibit F.2 contains a letter from the Chief Financial Officer for Summit BHC, and a letter from the Manager and General Counsel of Summit BHC documenting its intention to fund the total projected cost of the project through accumulated reserves.
- Exhibit F.2 contains a bank statement documenting cash reserves in excess of \$17.0 million to fund the 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.

	1st Full Fiscal Year (CY2024)	2nd Full Fiscal Year (CY2025)	3rd Full Fiscal Year (CY2026)
Total Patient Days	21,706	33,280	33,280
Total Gross Revenues (Charges)	\$47,601,258	\$73,712,870	\$74,449,999
Total Net Revenue	\$15,634,494	\$24,150,472	\$24,391,977
Average Net Revenue per Day of Care	\$720	\$726	\$733
Total Operating Expenses (Costs)	\$10,234,256	\$14,161,301	\$14,946,501
Average Operating Expense per Day of Care	\$472	\$426	\$449
Net Income	\$5,400,240	\$9,989,172	\$9,445,476

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 because projected utilization is based on the following:

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion 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 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric 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 Garner, Wake County and is served by the Alliance Health LME/MCO. Thus, the service area for this facility consists of counties served by Alliance Health. Alliance Health serves people in Cumberland, Durham, Johnston, Mecklenburg, Orange and Wake 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 Alliance Health LME service area, from pages 284-286 of the 2022 SMFP and the days of care reported on the 2022 LRAs.

COUNTY	FACILITY	# BEDS IN PLANNING INVENTORY	TOTAL LICENSED BEDS	DAYS OF CARE
Cumberland	Cape Fear Valley Medical Center	28	28	5,545
Durham	Duke Regional Hospital	42	42	6,903
Durham	Duke University Hospital	0	0	0
Johnston	Johnston Health	26	20	6,960
Mecklenburg	Carolinas Medical Center	132	132	45,340
Mecklenburg	Novant Health PMC	75	75	21,881
Orange	UNC Hospitals	76	76	18,969
Wake	Holly Hill Hospital	268	268	75,349
Wake	SBC-Garner	56	56	13,836
Wake	Triangle Springs	43	43	15,428
Wake	UNC Hospitals at Wakebrook	28	28	7,813
Total		774	768	218,024

In Section G, pages 83-84, the applicant explains why they believe its proposal would not result in the unnecessary duplication of existing or approved services in the proposed service area. The applicant states:

“...the overall average occupancy of the licensed inpatient psychiatric beds located within the Alliance Health LME is 77.8%. Three of these facilities have occupancy rates exceeding 90%.

Data from the North Carolina Department of Health and Human Services (NCDHHS) shows that the average Emergency Department (ED) waiting time for patients seeking admission to the three state-operated facilities is increasing.

...

Most recently, during the initial nine months of FY2021, the average ED wait time for 1,934 patients rose significantly to 197.6 minutes [hours], or approximately 8.2 days boarding in an ED awaiting admission to a state-operated psychiatric hospital. These statistics are evidence of the need for additional inpatient psychiatric bed capacity in North Carolina.

...

In summary, there is limited access to inpatient psychiatric beds in Wake County, the Alliance Health LME service area and across North Carolina. ROBH’s proposal to add inpatient psychiatric beds at its Garner facility will improve access to these services, and does not represent any unnecessary duplication of services.”

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

- The applicant adequately demonstrates that the proposed adult inpatient psychiatric beds are needed at ROBH in addition to the existing or approved adult inpatient psychiatric beds in the service area.
- The applicant adequately demonstrates that the proposed child/adolescent inpatient psychiatric beds are needed at ROBH in addition to the existing or approved child/adolescent inpatient psychiatric beds in the service area.

Conclusion

The Agency reviewed the:

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

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

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

The applicant proposes to develop no more than 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion.

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	1 st Full FY CY2024	2 nd Full FY CY2025	3 rd Full FY CY2026
Registered Nurses	24.0	35.0	36.0
Certified Nurse Aides/Nursing Assistants	28.0	40.0	42.0
Director of Nursing	1.0	1.0	1.0
Psychiatrists (Medical Director)	1.0	1.0	1.0
Counselors/Certified Counselors	3.0	4.0	5.0
Cooks	4.0	6.0	6.0
Dietary Aides	6.0	9.0	9.0
Social Workers	4.0	6.0	6.0
Activities Director	2.0	3.5	3.5
Medical Records	2.0	3.0	3.0
Housekeeping	3.5	5.0	5.0
Information Technology	1.0	1.0	1.0
Maintenance/Engineering	1.0	1.0	1.0
Administrator/CEO	1.0	1.0	1.0
Chief Financial Officer	1.0	1.0	1.0
Business Office	2.0	3.0	3.0
Clerical/Reception	1.5	2.0	2.0
Other (Maintenance Technicians)	0.0	2.0	2.0
Other (Business Development)	3.0	3.0	3.0
Other (Human Resources)	1.5	2.0	2.0
Other (Admissions/Intake)	8.0	9.3	9.3
Other (Utilization Review)	3.0	3.5	3.5
Other (Quality Assurance/Risk Mgmt)	1.0	1.0	1.0
TOTAL	102.5	143.3	148.3

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, pages 86-88, the applicant describes the methods to be 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:

- The applicant projects the initial and future FTE staffing positions necessary to accommodate the proposed healthcare services at ROBH.
- The costs and yearly increases are accounted for in the budgeted Operating Costs.
- The methods used to recruit or fill new positions and the existing training and continuing education programs are provided.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

The applicant proposes to develop no more than 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion.

Ancillary and Support Services

In Section I, page 90, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 90-91, the applicant briefly explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit 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 following:

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

Coordination

In Section I, pages 91-92 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 health care system because the applicant provides documentation that it has existing relationships with other local health care and social service providers.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

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

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

NA

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 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion.

In Section K, page 94, the applicant states that the project involves renovating 44,800 square feet of existing space. Line drawings are provided in Exhibit K.2.

In Section K, pages 96-99, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. Supporting documentation is provided in Exhibits K.4. The site appears to be suitable for the proposed project based on the applicant's representations and supporting documentation.

In Section K, pages 94-95, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states that the renovation costs are based on a detailed review of the facility and the knowledge, experience and expertise of the architects, engineers and Summit BHC.
- The applicant has experience in developing behavioral health facilities and other health projects and the applicant states that ROBH is designed to incorporate the most cost-effective design and means of construction.

In Section K, page 95, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The proposed project will utilize existing space within the facility that was previously used for the same health service and therefore does not require significant space renovations.
- The existing facility already contains all the necessary ancillary and support spaces.

- The applicant states that the proposed project will offer North Carolina residents greater access to local inpatient psychiatric behavioral services.

In Section K, page 95, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

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

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

NA

The applicant does not own, operate or manage an existing inpatient psychiatric facility in the service area. Therefore, Criterion 13(a) 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 103, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below:

PAYOR CATEGORY	% OF TOTAL PATIENTS SERVED
Self-Pay	1.7%
Charity Care	1.0%
Medicare*	26.9%
Medicaid*	23.9%
Insurance*	34.3%
Other (Government)	12.3%
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 1.7% of total services will be provided to self-pay patients, 1.0% to Charity Care patients, 34.3% to Commercial Insurance and 26.9% and 23.9% to Medicare and Medicaid patients respectively.

In Section L, page 104, the applicant provides the assumptions and methodology used to project payor mix during the first three (3) full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following reasons:

- Projected ROBH payor mix is based on historical payor mix for Alliance Health behavioral hospitals located in Wake County for FY2021.
- The applicant has in place a Financial Assistance Policy which is expected to account for a reasonable percentage of total patients.

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 106, 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 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion.

In Section M, page 107, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- In Exhibit M.1, the applicant provides letters written to Wake Technical Community College and Johnston Community College offering ROBH to serve as a clinical training site.
- The applicant states they plan to seek training affiliations with universities in the area.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop no more than 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric 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 Garner, Wake County and is served by the Alliance Health LME/MCO. Thus, the service area for this facility consists of counties served by Alliance Health. Alliance Health serves people in Cumberland, Durham, Johnston, Mecklenburg, Orange and Wake 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 Alliance Health LME service area, from pages 284-286 of the 2022 SMFP and the days of care reported on the 2022 LRAs.

COUNTY	FACILITY	# BEDS IN PLANNING INVENTORY	TOTAL LICENSED BEDS	DAYS OF CARE
Cumberland	Cape Fear Valley Medical Center	28	28	5,545
Durham	Duke Regional Hospital	42	42	6,903
Durham	Duke University Hospital	0	0	0
Johnston	Johnston Health	26	20	6,960
Mecklenburg	Carolinas Medical Center	132	132	45,340
Mecklenburg	Novant Health PMC	75	75	21,881
Orange	UNC Hospitals	76	76	18,969
Wake	Holly Hill Hospital	268	268	75,349
Wake	SBC-Garner	56	56	13,836
Wake	Triangle Springs	43	43	15,428
Wake	UNC Hospitals at Wakebrook	28	28	7,813
Total		774	768	218,024

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 108, the applicant states:

“Specifically, the proposed additional beds will increase the capacity of cost effective, high quality inpatient services that will be accessible by local residents, as described in section in N.2 below. The project will enable ROBH to 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. ROBH assumes no adverse effect on current providers of behavioral health services in the service area, as the previously operated facility in Garner was closed in late 2021, the demand for access to inpatient beds is high (as manifest by ED wait times for admission) and because other facilities in the Alliance Health LME service area have well utilized inpatient psychiatric beds (see Section G.2).”

See also Section G of the application and any exhibits.

Regarding the impact on cost effectiveness, in Section N, page 108, the applicant states:

“Freestanding psychiatric hospitals operate on a lower cost per patient day than acute care hospital psychiatric or state-operated facilities.

....

The project capital cost is modest, with modest facility renovation/ update cost. 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 ROBH 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 109, the applicant provides quality assurance and improvement policies and states:

“ROBH is dedicated to ensuring quality and patient safety through compliance with all applicable licensure and certification standards.”

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 109, the applicant states:

“ROBH will have a policy to provide all services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay or any other factor that would classify a patient as underserved.”

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

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

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

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

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

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

C

In Section Q, Form O, 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 a total of two of this type of facility located in North Carolina.

In Section O, page 116, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in none of these facilities. 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 in none 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 three 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 60 additional inpatient psychiatric beds for a total of no more than 116 inpatient psychiatric beds upon project completion at Raleigh Oaks Behavioral Health (96 adult inpatient psychiatric beds and 20 child/adolescent inpatient psychiatric beds) upon project completion. There are no administrative rules that are applicable to the proposed project.