

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: March 28, 2024

Findings Date: March 28, 2024

Project Analyst: Julie M. Faenza

Co-Signer: Lisa Pittman

Project ID #: F-12459-23

Facility: Arbor Ridge at Belmont

FID #: 230902

County: Gaston

Applicant: Bluestone Limited, LLC

Project: Develop a new 86-bed ACH facility by relocating no more than 86 ACH beds from Magnolia Gardens

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

Bluestone Limited, LLC (hereinafter referred to as “Bluestone” or “the applicant”) proposes to develop a new 86-bed adult care home (ACH) in Gaston County by relocating 86 ACH beds from Magnolia Gardens, a formerly licensed ACH facility also located in Gaston County. The existing facility is located at 916 South Marietta Street, Gastonia, in Gaston County. The applicant proposes to develop the new facility at 5103 Wilkinson Boulevard, Gastonia, in Gaston County. The replacement facility will also be licensed for 86 ACH beds upon project completion. The applicant proposes to develop 24 of the 86 ACH beds as special care unit (SCU) 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 2023 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2023 SMFP which is applicable to this review.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2023 SMFP, states:

“Any person proposing a capital expenditure greater than \$4 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN 4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy-GEN 4. The plan shall not adversely affect patient or resident health, safety, or infection control.”

The proposed capital expenditure of the project is greater \$4 million dollars. In Section B, page 26, the applicant describes its plan to assure improved energy efficiency and water conservation.

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 the following:

- The applicant does not propose to develop any beds, services, or equipment for which there is a need determination in the 2023 SMFP.
 - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

NC

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

The current facility, Magnolia Gardens, is not licensed and has not been licensed since December 31, 2022. Based on the 2022 License Renewal Application (LRA) on file, the facility was owned and licensed by the Gaston Area Lutheran Foundation, Inc. Publicly available information states that the facility did not submit an LRA for 2023 and the facility is closed.

In Exhibit C.1a, the applicant includes a purchase agreement between Gaston Area Lutheran Foundation, Inc. and the applicant, which shows that the applicant purchased the 86 ACH beds effective July 31, 2023. As of the date of these findings, the 86 ACH beds are not licensed.

Patient Origin

On page 171, the 2023 SMFP defines the service area for ACH beds as “... *the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*” The 86 ACH beds were in a facility in Gaston County and the applicant proposes to relocate the 86 ACH beds and develop a new facility also in Gaston County. Thus, the service area for this facility is Gaston County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin.

Arbor Ridge at Belmont Projected Patient Origin						
County	FY 1 (CY 2028)		FY 2 (CY 2029)		FY 3 (CY 2030)	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
Gaston	64	84.2%	89	84.8%	91	85.8%
Mecklenburg	4	5.3%	5	4.8%	5	3.8%
Cleveland	2	2.6%	3	2.9%	3	2.8%
Cabarrus	1	1.3%	2	1.9%	2	1.9%
Lincoln	1	1.3%	2	1.9%	2	1.9%
Iredell	1	1.3%	1	1.0%	1	0.9%
Guilford	1	1.3%	1	1.0%	1	0.9%
Other States	1	1.3%	1	1.0%	1	0.9%
Union	1	1.3%	1	1.0%	1	0.9%
Total	76	100.0%	105	100.0%	107	100.0%

Source: Section C, page 29

Note: CY = Calendar Year (January 1 – December 31)

In Section C, pages 28-29, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant projected patient origin based on the historical patient origin of other ACH facilities in Gaston County.
- The applicant relied on data reported by other ACH facilities in their 2023 LRAs that were submitted to the Agency to calculate the patient origin and explained where their calculations led to slightly different percentages.

Analysis of Need

In Section C, pages 31-32, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as follows:

- Gaston County’s effective utilization rate, based on the Proposed 2024 SMFP, was 81.3% based on 783 residents and 963 available beds (excluding the beds at Magnolia Gardens and 20 other ACH beds). The applicant states that there was an average of 792 ACH residents per year in Gaston County in the three years prior to the pandemic, that utilization has been artificially suppressed by the pandemic, and that by the time the facility opens there will be greater need.
- The applicant states that the “Belmont Sector” of Gaston County has a greater need than the “Gastonia Sector” of Gaston County. In Exhibit C.4a, the applicant provides a map that divides Gaston County roughly into thirds (based on census tracts) and plots the location of existing ACH facilities onto the map. The map shows nine ACH facilities (excluding Magnolia Gardens) in the “Gastonia Sector” and two ACH facilities in the “Belmont Sector.” The applicant states that, based on US Census Bureau data and the ACH facilities in Gaston County, it is more than two times harder for someone living in the “Belmont

Sector” to find a place in a local ACH facility than it is for someone in the “Gastonia Sector.”

- The applicant states there is greater demand for SCU beds than non-SCU beds in Gaston County, based on utilization of SCU beds at TerraBella Cramer Mountain, an existing ACH facility in the “Belmont Sector” that is closest to where the applicant proposes to develop the facility.

However, the information is not reasonable and adequately supported based on the following:

- The applicant states that, prior to the pandemic, there were an average of 792 ACH residents each year in Gaston County ACH beds, and that the pandemic has artificially suppressed utilization. However, while there was an average of 792 residents in ACH beds in Gaston County during the three years prior to the pandemic, utilization of Gaston County ACH beds decreased over that time period. Based on data published in Table 11B on page 202 of the 2023 SMFP, there were 887 Gaston County ACH residents in 2017, 784 residents in 2018, and 706 residents in 2019. Utilization during the pandemic years of 2020 and 2021 was actually higher than in 2019 – there were 768 residents in 2020 and 731 residents in 2022. The data does not support the applicant’s statements that utilization has been artificially suppressed by the pandemic.
- According to Table 11C on page 206 of the 2023 SMFP, Gaston County has a surplus of 410 ACH beds – nearly 40% of the available ACH beds in the county. According to Table 11C on page 213 of the Proposed 2024 SMFP, at the time it was published (July 2023), Gaston County had a surplus of 226 ACH beds, despite its planning inventory decreasing by 20 ACH beds between the 2023 SMFP and Proposed 2024 SMFP.

Further, the applicant’s statements that there is a greater need for beds in the “Belmont Sector” than in the “Gastonia Sector” are contradicted in part by data it provides in its own application. In Section C, page 32, the applicant states that one of the two ACH facilities in the “Belmont Sector,” TerraBella Cramer Mountain, had 59 patients in its 128 ACH beds – a utilization rate of approximately 46.1%. Based on information provided in its 2024 LRA submitted to the Agency, utilization at TerraBella Cramer Mountain actually decreased from 59 residents to 53 residents – a utilization rate of approximately 41.4%.

Based on the most recent LRAs submitted by each of the facilities in the “Gastonia Sector” (excluding Magnolia Gardens), the utilization rate of the ACH beds at facilities in the “Gastonia Sector” is approximately 65.8%. Based on the most recent LRAs submitted by the two facilities in the “Belmont Sector,” the utilization rate of the ACH beds at facilities in the “Belmont Sector” is approximately 62%. The existing information about Gaston County ACH residents and utilization rates does not support the applicant’s statement of a need for additional ACH beds in the “Belmont Sector.”

- The applicant’s statement that there is a greater need for SCU beds than non-SCU beds is not reasonable and adequately supported. It is based on data from a single facility. The

applicant provides no other information in the application as submitted to support its statement about the need for SCU beds in Gaston County.

Projected Utilization

On Form C.1b in Section Q, the applicant provides projected utilization, as illustrated in the following table.

Arbor Ridge at Belmont – Projected Utilization			
	FY 1 (CY 2028)	FY 2 (CY 2029)	FY 3 (CY 2030)
Total # of ACH beds	86	86	86
# of Discharges	22	32	34
# of Patient Days	15,019	23,922	26,682
Average Length of Stay (in days)	683	748	785
Occupancy Rate	47.7%	76.2%	85.0%
Total # of SCU beds	24	24	24
# of Discharges	14	17	17
# of Patient Days	6,107	7,446	7,446
Average Length of Stay (in days)	436	438	438
Occupancy Rate	69.5%	85.0%	85.0%

In the Assumptions and Methodology – Form C.1b subsection of Section Q, the applicant provides the assumptions and methodology used to project utilization, as summarized below.

- The applicant relied on its experience at Arbor Ridge of Huntersville, which the applicant states is approximately 30 minutes away from the proposed location, to project the fill-up rate at the proposed facility.
- The applicant states that it determined the annual discharges by using the average discharge rate for other facilities managed by Ridge Care, the proposed management company.

However, projected utilization is not reasonable and adequately supported based on the following:

- The applicant provides no information to explain why its experience at Arbor Ridge of Huntersville is reasonable to rely on in projecting fill-up rate. Arbor Ridge of Huntersville was first licensed on June 9, 2022 and is licensed for 40 ACH beds, including 24 SCU beds. The applicant provides no further information to explain why its experience at a facility less than half the size of the proposed facility and which has been open for just over a year and a half is reasonable to use to project utilization for the first three years following project completion.
- The applicant states it relies on information from other facilities managed by Ridge Care to project discharge rates. On Form O in Section Q, the applicant lists four facilities it says are managed by Ridge Care. One is Arbor Ridge of Huntersville. Arbor Landing at Ocean Isle appears to be the facility licensed as Ocean Isle Operations, first licensed on March 1, 2020, which is also licensed for 40 ACH beds and 24 SCU beds.

The applicant lists Arbor Landing at Compass Pointe as a facility that it manages; however, this appears to be a facility under development, as there is no licensed facility in Brunswick County with that name or that is managed by Ridge Care (other than Ocean Isle Operations). Further, according to Table 11A on page 176 of the 2023 SMFP, Arbor Landing at Compass Pointe will be a 20-bed ACH facility that will be developed by relocating 20 of the existing 40 ACH beds at Ocean Isle Operations, leaving that facility with 20 ACH beds.

The applicant lists Carteret Landing, an ACH facility in Carteret County, which has 110 ACH beds. Carteret Landing was first licensed in February 2017. However, based on publicly available information provided to the Agency by Carteret Landing in its annual LRA filings, the facility has never had a patient census higher than 72, which is a utilization rate of approximately 65.5%.

The applicant provides no information in the application as submitted to support its use of the existing facilities managed by Ridge Care to determine discharge rates at an 86-bed ACH facility based on a 40-bed ACH facility that has been open for a year and a half, a 40-bed ACH facility that will be downsizing to 20 ACH beds, and a 110-bed ACH facility that has not ever had a utilization rate higher than 65.5%.

- While searching for the facilities managed by Ridge Care, the Project Analyst found a facility not listed on Form O called Arbor Landing at Hampstead, located in Pender County and which is managed by Ridge Care. However, that facility has 19 ACH beds and all 19 ACH beds are SCU beds; therefore, it is not reasonable to rely on that facility to project utilization either.

Access to Medically Underserved Groups

In Section C, page 36, the applicant states:

“Within the confines of the admissions requirements..., the facility will not discriminate in any way with regard to gender, sex, race, ethnicity, color, religion, county of origin, marital status, disability..., age, or sexual orientation.”

On page 37, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low-income persons	4.7%
Racial and ethnic minorities	32.0%
Women	51.5%
Persons with disabilities	100.0%
Persons 65 and older	100.0%
Medicare beneficiaries	100.0%
Medicaid recipients	4.7%

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 because the applicant states it will not discriminate based on status in an underserved group.

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 not conforming to this criterion for all the reasons described above.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

C

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

In Section D, page 41, the applicant states that the facility has not served residents in over two years. There is not a population presently served by the existing ACH beds.

Access to Medically Underserved Groups

In Section D, page 41, the applicant discusses the effect the relocation of the facility will have on access for medically underserved groups. The applicant states:

“... the residents of the Gastonia Sector where the facility is currently located enjoy a much larger supply of adult care home beds proportional to their population than others in Gaston County. As such, it seems that members of [medically underserved groups] would not find it substantially more difficult to attain placement in an adult care home after the proposed bed move has taken place.”

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

- The existing facility has not been serving residents and therefore the proposed relocation would not change the ability of medically underserved groups to have access to ACH beds in Gaston County.
- The proposed site of the new facility is located within the same county.

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:

- There is not a population currently using the services to be relocated.
- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.

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

NC

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

In Section E, page 45, 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:

- Not Convert 24 ACH Beds to SCU Beds: the applicant states that SCU beds have increased utilization growth rate over non-SCU beds and it would cost more to not convert them because of the impact on the ability to fill the facility, and there would be less of an option to age in place; therefore, this is not an effective alternative.
- Convert More Than 24 ACH Beds to SCU Beds: the applicant states that Ridge Care, the proposed management company, has determined from many years of experience that a 24-bed SCU unit is an optimal size for economies of scale to lower cost and a small community setting; therefore, this is not an effective alternative.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The applicant did not adequately demonstrate the need it has for the proposed project because it does not demonstrate the need for the proposed project or that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. A proposal that is not needed by the population proposed to be served cannot be an effective alternative to meet the need.
- The applicant does not demonstrate that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above. The discussion regarding financial feasibility found in Criterion (5) is incorporated herein by reference. A proposal that cannot demonstrate it will be financially feasible cannot be an effective alternative to meet the need.
- The applicant does not demonstrate that the proposed project is not an unnecessary duplication of existing and approved services in Gaston County. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference. A proposal that cannot demonstrate it is not an unnecessary duplication of existing and approved services in the service area cannot be an effective alternative to meet the need.
- The applicant does not demonstrate that any enhanced competition from the proposed project will have a positive impact on cost-effectiveness. The discussion regarding enhanced competition and the impact on cost-effectiveness found in Criterion (18a) is incorporated herein by reference. A proposal that cannot demonstrate how any enhanced competition will have a positive impact on cost-effectiveness cannot be an effective alternative to meet the need.
- The application is not conforming to all other statutory and regulatory review criteria. An application that cannot be approved cannot be an effective alternative to meet the need.

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 not conforming to this criterion for the reasons stated above. Therefore, the application is denied.

- (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.

NC

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

Capital and Working Capital Costs

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

Purchase Price of Land/Closing Costs/Site Costs	\$999,000
Construction Contract	\$17,132,375
Non-Medical Equipment/Furniture	\$759,575
Cost of ACH Beds	\$1,290,000
Consultant Fees/Financing Costs/Interest During Construction	\$4,022,627
Utility Connection Fees	\$140,515
Surveys/Inspections/Site Monitoring/Taxes	\$84,855
Contingency	\$1,221,447
Total	\$25,650,394

In the Assumptions – Form F.1a subsection of 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 based on the following:

- The applicant states it relies on an estimate from the architect, amortization tables, and Ridge Care’s experience.
- The applicant provides supporting documentation for its projected capital costs in Exhibits B.21, C.1a, F.2b, and K.4b(2).

In Section F, page 48, the applicant projects there will be \$404,909 in start-up costs and initial operating expenses will be \$913,291 with an initial operating period of 16 months for a total working capital of \$1,318,200. On pages 48-49, 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:

- The applicant details the length of time various salaries are paid to project working capital costs.

- The applicant’s projections for initial operating costs are based on negative cash flow and how many months the applicant projects it will experience negative cash flow.

Availability of Funds

In Section F, page 46, the applicant states that \$20,520,316 of the projected capital cost will be funded via a loan, and \$5,130,078 of the projected capital cost will be funded by accumulated reserves. On page 49, the applicant states that the entire projected working capital cost of \$1,318,200 will be funded by accumulated reserves.

In Exhibit F.2b, the applicant provides a letter dated October 13, 2023, from a Senior Vice President of Fidelity Bank, stating they will consider providing a loan in the amount of \$21,952,375 to the applicant for purposes of developing the proposed project. The applicant also provides a projected amortization schedule in Exhibit F.2b.

Exhibit F.2c contains a letter dated October 13, 2023, from the same Senior Vice President of Fidelity Bank, which states the applicant intends to fund up to \$6,500,000 of the costs with equity and, based on the bank’s familiarity with the accounts and financial statements of the applicant, that the applicant has “...*liquid financial assets in more than sufficient amounts to fund all of the equity requirements necessary to develop the Gaston County project.*”

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

- The applicant provides documentation to support its projection of funding \$20,520,316 of the projected capital cost with a loan, including an amortization table.
- The applicant provides documentation of the availability of sufficient financial resources to fund the equity components of the proposed capital and working capital costs.

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 second and third full fiscal years following completion of the project, as shown in the table below.

Arbor Ridge at Belmont Projected Revenues and Operating Expenses			
	FY 1 (CY 2028)	FY 2 (CY 2029)	FY 3 (CY 2030)
Total Patient Days	15,019	23,922	26,682
Total Gross Revenues (Charges)	\$3,733,166	\$5,677,545	\$6,611,060
Total Net Revenue	\$3,733,166	\$5,677,545	\$6,611,060
Average Net Revenue per Patient Day	\$249	\$237	\$248
Total Operating Expenses (Costs)	\$4,597,721	\$5,601,436	\$6,098,739
Average Operating Expense per Patient Day	\$306	\$234	\$229
Net Income/(Loss)	(\$864,555)	\$76,109	\$512,321

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. However, the applicant does not adequately demonstrate that the financial feasibility of the proposal is reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference. Therefore, projected revenues and operating expenses, which are based in part on projected utilization, are also questionable.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate 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.

NC

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

On page 171, the 2023 SMFP defines the service area for ACH beds as “... *the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*” The 86 ACH beds were in a facility in Gaston County and the applicant proposes to relocate the 86 ACH beds and develop a new facility also in Gaston County. Thus, the service area for this facility is Gaston County. Facilities may also serve residents of counties not included in their service area.

Table 11A on pages 183-184 of the 2023 SMFP shows a total of 1,069 existing and approved ACH beds in Gaston County. The table below summarizes the existing and approved ACH facilities and beds in Gaston County as shown in the 2023 SMFP.

Gaston County Inventory of Existing/Approved ACH Beds				
Facility	Total Licensed Beds	Approved ACH Beds	Relocated ACH Beds	Total Planning Inventory
Alexandria Place (now Gastonia Health & Rehab) (NF)	40	0	0	40
Brookdale New Hope	86	0	0	86
Brookdale Robinwood	89	0	0	89
Brookdale Union	78	0	0	78
Carolina Care Health & Rehabilitation (NF)	12	0	0	12
Country Time Inn*	59	0	0	59
Courtland Terrace (NF)	19	0	0	19
Magnolia Gardens	86	0	0	86
Morningside of Gastonia	105	0	0	105
Peak Resources-Cherryville (NF)	57	0	0	57
Rosewood Assisted Living	48	0	0	48
Somerset Court of Cherryville	60	0	0	60
TerraBella Cramer Mountain	128	0	0	128
Terrace Ridge Assisted Living	74	0	0	74
Wellington House	48	0	0	48
Woodlawn Haven	80	0	0	80
Total**	1,069	0	0	1,069

Source: Table 11A, 2023 SMFP

Note: (NF) designates a combination skilled nursing facility with both NF and ACH beds. Only ACH beds are listed in this table.

*In the 2023 SMFP, Country Time Inn was listed as being approved to relocate 20 ACH beds from the now-closed Belaire Health Care Center; however, pursuant to Project ID #s H-11694-19 and H-11293-20, the beds will now be relocated to The Landings of Pinehurst in Moore County and are not included in the table.

In Section G, pages 55-56, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved ACH bed services in Gaston County. The applicant states:

“Because Magnolia Gardens did not house residents during that time period..., only 963 beds were available to utilize, leading to a utilization rate of 81.3%. This number is artificially low due to lowered pandemic admissions rates. The three years prior to the pandemic averaged 792 residents in Gaston County – higher than 2022, despite the county population being about 5% smaller. By the time the proposed facility opens in 2028, the effects of the pandemic will have worn off and the population will have grown even further. Furthermore..., the proposal is moving beds to a part of the county that needs them more than the current location, so it would follow that the opening of the proposed facility would not only not be an unnecessary duplication of beds, but would be a welcome alternative for Gaston County residents who may have otherwise sought accommodations in Mecklenburg County.”

However, the applicant does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because the applicant does not demonstrate the need the population proposed to be served has for the proposed services. The discussion regarding need, including projected utilization, found in Criterion (3) is incorporated herein by reference. An application that cannot demonstrate that

the population proposed to be served needs the proposed services cannot demonstrate that the project will not be an unnecessary duplication of existing or approved services.

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 not 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 relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

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

Arbor Ridge at Belmont Projected Staffing (in FTEs)			
	FY 1 (CY 2028)	FY 2 (CY 2029)	FY 3 (CY 2030)
Certified Nurse Aides/Nursing Assistants	10.94	16.27	17.73
Alzheimer’s Coordinator	1.00	1.00	1.00
Dining Services Manager	1.00	1.00	1.00
Cooks	2.25	3.58	4.38
Dietary Aides	4.25	5.92	6.00
Dishwasher	1.50	1.50	1.50
Activities Director and Assistant	1.50	1.50	1.50
Housekeeping (including Lead)	3.17	4.00	4.00
Maintenance Director and Tech	1.00	1.00	1.00
Administrator/CEO	0.50	0.50	0.50
Business Office Manager	1.00	1.00	1.00
Healthcare Coordinator	1.00	1.00	1.00
Marketing Director and Assistant	1.00	1.00	1.00
Med Techs	5.28	8.16	9.00
Van Driver	0.50	0.50	0.50
Licensed Practical Nurses	3.08	4.00	4.00
TOTAL	38.97	51.93	55.11

The assumptions and methodology used to project staffing are provided in the Assumptions and Methodology – Form H subsection of 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, page 57, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

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

- The proposed management company, Ridge Care, operates other existing facilities in North Carolina and has been able to recruit staff at other facilities.
- The applicant projects to provide the necessary financial resources to employ the proposed FTEs.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

Ancillary and Support Services

In Section I, page 59, the applicant identifies the necessary ancillary and support services for the proposed services and 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 because the proposed management company, Ridge Care, has experience providing these types of services at other facilities in North Carolina.

Coordination

In Section I, page 60, the applicant describes its efforts to develop 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 based on the following:

- The applicant states it expects to have transfer agreements with other facilities managed by Ridge Care.
- In Exhibit I.2, the applicant provides copies of letters sent to three local health care and social service providers in Gaston County, requesting to partner with each in the provision of care to residents of Gaston County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

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

C

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

In Section K, page 62, the applicant states that the project involves constructing 52,716 square feet of new space. Line drawings are provided in Exhibit K.1.

In Section K, pages 63-64, 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.4b(1), K.4b(2), K.4c(1), K.4c(3), K.4d, K.4e(1), and K.4e(2). The site appears to be suitable for the proposed NF based on the applicant's representations and supporting documentation.

In Section K, page 62, 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 the facility design is a balance between providing a welcoming and comfortable environment for residents and keeping costs low.
- The applicant explains why spending more money or less money on the cost, design, and means of construction would not be a reasonable alternative.

In Section K, page 63, 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 applicant states that the new facility will be built near a proposed independent living facility and can take advantage of economies of scale.
- The applicant states that support staff can be shared with another facility managed by Ridge Care, Arbor Ridge at Huntersville, located approximately 30 minutes away.

In Section K, page 63, 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

Arbor Ridge at Belmont 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

Arbor Ridge at Belmont 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 69, 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.

Arbor Ridge at Belmont – Projected Payor Mix (CY 2030)	
Payor Category	% of Total Patients
Self-Pay	95.3%
Medicaid*	4.7%
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 95.3% of total services will be provided to self-pay patients and 4.7% to Medicaid patients.

On page 69, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant states it will not provide charity care to patients.
- The applicant states it will reserve four ACH beds for residents who have Medicaid and assumes those four ACH beds will be in use at all times by Medicaid residents.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion based on the 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 70, the applicant adequately describes the range of means by which patients will have access to the proposed services.

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.

- (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 relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

In Section M, page 71, 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. 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 applicant states that the facility will be available as a training site for local training programs and community colleges.
- In Exhibit M.1, the applicant provides copies of letters sent to Central Piedmont Community College and Carolinas College of Health Sciences offering the facility as a clinical training site.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application

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

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

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

NC

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

On page 171, the 2023 SMFP defines the service area for ACH beds as “... *the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*” The 86 ACH beds were in a facility in Gaston County and the applicant proposes to relocate the 86 ACH beds and develop a new facility also in Gaston County. Thus, the service area for this facility is Gaston County. Facilities may also serve residents of counties not included in their service area.

Table 11A on pages 183-184 of the 2023 SMFP shows a total of 1,089 existing and approved ACH beds in Gaston County. The table below summarizes the existing and approved ACH facilities and beds in Gaston County as shown in the 2023 SMFP.

Gaston County Inventory of Existing/Approved ACH Beds				
Facility	Total Licensed Beds	Approved ACH Beds	Relocated ACH Beds	Total Planning Inventory
Alexandria Place (now Gastonia Health & Rehab) (NF)	40	0	0	40
Brookdale New Hope	86	0	0	86
Brookdale Robinwood	89	0	0	89
Brookdale Union	78	0	0	78
Carolina Care Health & Rehabilitation (NF)	12	0	0	12
Country Time Inn*	59	0	0	59
Courtland Terrace (NF)	19	0	0	19
Magnolia Gardens	86	0	0	86
Morningside of Gastonia	105	0	0	105
Peak Resources-Cherryville (NF)	57	0	0	57
Rosewood Assisted Living	48	0	0	48
Somerset Court of Cherryville	60	0	0	60
TerraBella Cramer Mountain	128	0	0	128
Terrace Ridge Assisted Living	74	0	0	74
Wellington House	48	0	0	48
Woodlawn Haven	80	0	0	80
Total**	1,069	0	0	1,069

Source: Table 11A, 2023 SMFP

Note: (NF) designates a combination skilled nursing facility with both NF and ACH beds. Only ACH beds are listed in this table.

*In the 2023 SMFP, Country Time Inn was listed as being approved to relocate 20 ACH beds from the now-closed Belaire Health Care Center; however, pursuant to Project ID #s H-11694-19 and H-11293-20, the beds will now be relocated to The Landings of Pinehurst in Moore County and are not included in the table.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 72, the applicant states:

“Because the Applicant believes the need for more ACH beds exists in the Belmont Sector of Gaston County, this proposal should not cause utilization to be negatively affected in competing adult care homes in the Belmont Sector in a drastic way. Of course, any new competitor affects the marketplace. Of course, it might also increase utilization rates in the Gastonia Sector by removing excess beds from the marketplace.

By converting non-SCU beds to SCU beds and moving them to the other side of the county, this proposal provides facilities with non-SCU beds the opportunity to increase their utilization. Because the applicant believes the need for more SCU beds exists in the Belmont Sector of Gaston County, this proposal should not cause utilization to be negatively affected in competing special care units.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 72, the applicant states:

“By reducing the number of non-SCU beds in Gaston County overall, this provides an opportunity for competing facilities with non-SCU beds to increase utilization, and in turn, have better cash flow.”

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 72, the applicant states:

“The proposal’s positive effect on utilization and, in turn, cash flow at competing facilities help prevent those facilities from cutting corners while providing care, leading to increased quality of care at facilities in the area. Similarly, the increased competition can increase the quality of care among special care units in general (and all ACH beds in the Belmont Sector) because there is pressure to meet resident expectations in the face of a brand new facility.”

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, pages 72-73, the applicant states:

“By allowing Medicaid recipients to access some of the beds (beds that no one can currently utilize), this proposal increases the number of overall beds in the county available to Medicaid recipients, and gives residents of the Belmont Sector of the county relying on Medicaid access to more beds closer to them.”

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

However, the applicant does not adequately demonstrate the proposal would have a positive impact on cost-effectiveness because the applicant did not adequately demonstrate: a) the need the population to be served has for the proposal; b) that projected utilization is based on reasonable and adequately supported assumptions; c) that projected revenues and operating costs are reasonable; and d) that the proposal would not result in an unnecessary duplication of existing and approved health services. The discussions regarding demonstration of need (including projected utilization), projected revenues and operating costs, and unnecessary duplication found in Criterion (3), Criterion (5), and Criterion (6), respectively, are incorporated herein by reference. A proposal that cannot demonstrate need, cannot demonstrate that projected revenues and operating costs are based on reasonable and adequately supported assumptions, and cannot demonstrate that the proposed project is not an unnecessary duplication cannot have a positive impact on cost-effectiveness.

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 not conforming to this criterion based on all the reasons described above.

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

C

The applicant proposes to relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

On Form O in Section Q, the applicant identifies the ACH facilities located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies three existing ACH facilities and one ACH facility that is under development. Additionally, there is another existing ACH facility managed by a related entity to the applicant, bringing the total number of ACH facilities located in North Carolina owned, operated, or managed by the applicant or a related entity to four existing ACH facilities and one ACH facility under development.

In Section O, page 75, the applicant states, in response to a question about facilities which had an imposition of a Type A or an unabated violation, summary suspension of license, or revocation of license, that the question is not applicable; presumably, the applicant means that none of the existing ACH facilities located in North Carolina owned, operated, or managed by the applicant or a related entity had any violations of the types listed during the 18 months immediately preceding submission of the application. Further, on page 74, the applicant states that all facilities identified in Form O are currently in compliance with all applicable rules and regulations.

According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision no incidents related to quality of care occurred in any of those facilities. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all four existing ACH 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 relocate 86 ACH beds from their current location in Gaston County to a different location in Gaston County. The new facility will be licensed for 86 ACH beds, including 24 SCU beds, upon project completion.

The Criteria and Standards for Nursing Facility or Adult Care Home Services, which are promulgated in 10A NCAC 14C .1102, are not applicable to this review because the applicant is not proposing to develop NF beds or ACH beds pursuant to a need determination.