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Britthaven, Inc.

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August 2, 2010

Paula Quirin, Project Analyst
Certificate of Need Section
NC Division of Health Service Regulation
2704 Mail Service Center
Raleigh, NC 27699-2704

Dear Ms. Quirin:

The attached document consists of Britthaven's comments regarding the following CON applications, which were submitted in response to the need for 60 nursing facility beds in Johnston County:

- Project ID #J-8538-10, Liberty Healthcare Properties of West Johnston County, LLC
- Project ID #J-8541-10, UniHealth Post-Acute Care-Clayton

Per the Agency's request, these comments are objective in nature and they address each applicant's conformity to the specific statutory criteria and special rules relevant to this Johnston County review.

Thank you for your consideration of these remarks. Should you have any questions regarding these materials, please do not hesitate to contact me.

Sincerely,
BRITTHAVEN, INC.



Max Mason,
Development Coordinator

Enclosures

OVERVIEW

Britthaven has reviewed each of the Certificate of Need (CON) applications submitted in this review for 60 additional skilled nursing facility (NF) beds in Johnston County. Per the Agency's request, the subsequent comments are objective in nature and they address each applicant's conformity to the specific statutory criteria and special rules relevant to this Johnston County review. All three provider-applicants have proposed different means of project implementation:

- UHS Pruitt / UniHealth Post-Acute Care—Clayton ("Pruitt"):
 - Free-standing 60-bed nursing facility

- Liberty Commons Nursing & Rehabilitation Center of West Johnston Co. ("Liberty"):
 - 90-bed combination nursing facility / adult care home
 - 60 new NF beds
 - 6 relocated NF beds
 - 24 relocated ACH beds

- Britthaven, Inc. ("Britthaven")
 - 100-bed nursing facility
 - 60 new NF beds
 - 40 relocated NF beds from Smithfield facility
 - Significant renovation at Smithfield facility

While each of these proposals individually conforms to the general need for 60 new NF beds in Johnston County, not all are approvable. Our approach to developing these comments was to identify the specific CON review criteria for which there are clear areas of differentiation between the applicants. We see no benefit in emphasizing issues that amount to differences of opinion or minor points of contention, as most of these end up irrelevant to the review and the Agency's findings. There are, however, multiple substantive issues that likely render various applicants non-conforming to the CON criteria.

Particularly noteworthy areas of potential non-conformity for competing applicants Liberty and Pruitt include:

- Access to Medicaid recipients (*Criterion 13*)
- Cost Effectiveness (*Criterion 5*)
- Reasonableness of Charges (*Criterion 5*)



As the following analysis demonstrates, only Britthaven conforms to these and all other statutory criteria and special rules against which the CON Section must review all competing applications. Britthaven's proposals are also comparatively superior to the alternatives in other important comparative categories, including:

- Number of Private Rooms available to Johnston County residents
- Access to Private Rooms for Medicaid recipients
- Total Licensed Nursing Staff
- Staff Salaries
- Provision of Special Care Services (Alzheimer's Neighborhood)

The approval of Britthaven's application will provide the most benefit to the residents of Johnston County and to the health care system as a whole. The following analysis carefully examines the issues identified above (along with others) and demonstrates the shortcomings of competing applicants Liberty and Pruitt.

ANALYSIS

§ 131E-183. Review criteria.

(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.

(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, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

This criterion exists to ensure that access to NF-bed services is available to all individuals in need, with a particular focus on people who typically have greater difficulty securing quality, affordable care. The CON Section has recognized, in its most recent NF-bed review, that the

All applicants in this review have selected site options in areas of projected future NF-bed need:

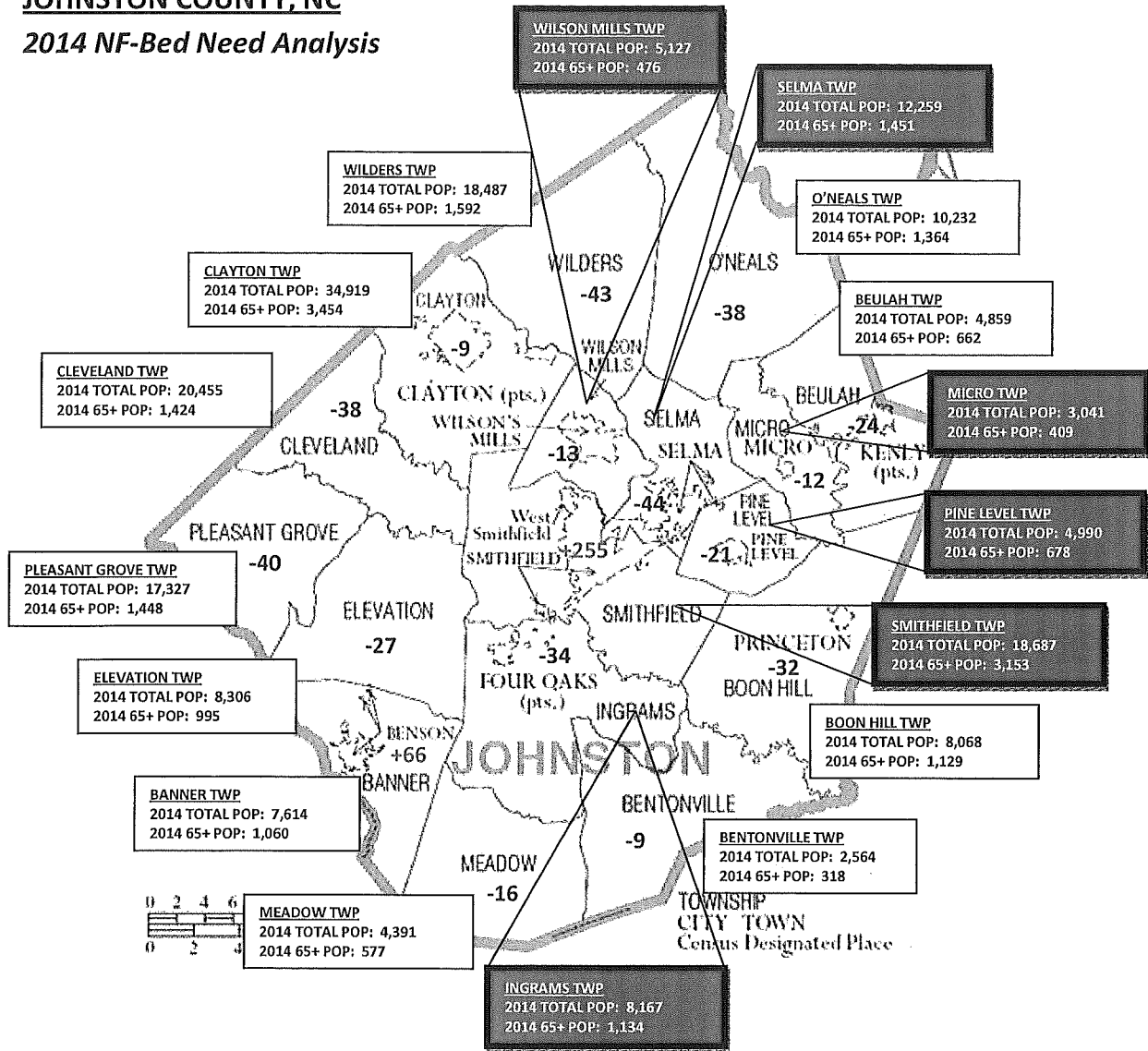
- Britthaven (Cleveland and Clayton Townships);
- Pruitt (Clayton Township); and
- Liberty (Pleasant Grove Township)



Britthaven offers two alternatives, one in Cleveland Township, which presently has 0 NF beds, and the other in Clayton Township, which is a central point in a region of unmet NF-bed need. Pruitt proposes a location in Clayton Township that is extremely proximate to Britthaven's sites. Liberty proposes to develop 60 new NF beds and relocate 6 existing NF beds and 24 existing ACH beds from Benson (Banner Township) to Pleasant Grove Township, which is located in the western portion of Johnston County. This location, although an area of projected future NF-bed need (40 according to Britthaven's analysis), does not represent the most effective location alternative for the greatest number of Johnston County residents. Please see the following map, excerpted from Britthaven's CON application:



JOHNSTON COUNTY, NC
2014 NF-Bed Need Analysis



NOTES TO MAP:
 RED NUMBERS: NF-BED NEED
 GREEN NUMBERS: NF-BED SURPLUS
 BLUE TEXT BOXES: INTERNAL TOWNSHIPS

As shown, Pleasant Grove Township is at the far western point of Johnston County. The areas of greatest NF-bed need in Johnston County are the Townships from Wilders and



O'Neals (northern) southwest to Pleasant Grove (which includes Clayton Township and Cleveland Township). Four of these five Townships have roughly similar projected NF-bed deficits (ranging from 38 to 43). Locating a new facility in Pleasant Grove would have comparatively limited benefit to the residents of most of these other areas of unmet need. As a result, Liberty's proposed location is less effective than either Britthaven's Cleveland Township location or Britthaven and Pruitt's proposed Clayton Township locations.

(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.

(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.

COSTS

The following table presents a detailed account of each applicant's proposed Year 2 cost information:



Per Diem Cost Year 2 (FORM C)				
Applicants	Britthaven (Cleveland)	Britthaven (Clayton)	Pruitt	Liberty
Total Facility				
Direct Costs				
Routine	\$95.12	\$95.12	\$94.18	\$100.56
Dietary	\$14.54	\$14.54	\$15.41	\$10.95
Social Services	\$2.16	\$2.16	\$2.25	\$1.52
Activities	\$2.20	\$2.20	\$2.26	\$1.05
Ancillaries	\$15.95	\$15.95	\$50.14	\$15.33
Total Direct	\$129.97	\$129.97	\$164.24	\$129.41
Indirect Costs				
Laundry and Linen	\$2.87	\$2.87	\$3.70	\$2.25
Housekeeping	\$5.33	\$5.33	\$11.06	\$2.84
POM	\$7.83	\$7.83	\$13.20	\$4.91
General & Admin	\$26.64	\$26.64	\$38.52	\$24.03
POU	\$11.93	\$12.04	\$27.50	\$27.53
Total Indirect	\$54.59	\$54.71	\$93.97	\$61.56
Reimbursable	\$184.56	\$184.67	\$258.21	\$190.98
Non-Reimbursable	\$9.69	\$9.69	\$0.00	\$2.65
Total Operating	\$194.25	\$194.36	\$258.21	\$193.62
Total NF Ancillaries	\$15.95	\$15.95	\$50.14	\$15.33
Direct - Ancillaries	\$114.01	\$114.01	\$114.11	\$114.08
Direct - Ancillaries + Indirect	\$168.60	\$168.72	\$208.07	\$175.65
Note: This comparison evaluates only NF beds (i.e., Liberty's ACH beds are excluded).				

Historically, the CON Section assesses an applicant's cost-effectiveness in two ways:

1. Proposed DIRECT (LESS ANCILLARY) operating cost per patient day, and
2. Proposed DIRECT (LESS ANCILLARY) PLUS INDIRECT COST per patient day

Based on these two measures, Britthaven is the most effective alternative in this review, as indicated by the blue-highlighted cells in the table above, and in the simplified table below:



Applicant	Direct Cost (Less Ancillary) Per Patient Day	Indirect Cost Per Patient Day	Total Direct Cost (Less Ancillary) Plus Indirect Cost Per Patient Day
Britthaven (Cleveland)	\$114.01	\$54.59	\$168.60
Britthaven (Clayton)	\$114.01	\$54.71	\$168.72
Pruitt	\$114.11	\$93.97	\$208.07
Liberty	\$114.08	\$61.56	\$175.65

Source: CON Applications, Form C

In addition to being less-effective alternatives than Britthaven, the projected costs of Liberty and Pruitt are unreasonable in many respects, as described below.

Liberty

Overall Costs

Liberty projects, almost without exception, the lowest direct and indirect costs per cost-center. Please see the yellow-highlighted cells above. Given these low costs across the board, one questions whether it is feasible that Liberty will be able to provide effective services.

Provider Assessment Fee

Based on information contained in its application, Liberty appears not to have adequately accounted for the cost of its provider assessment fee. In Schedule C of its application (p. 139, line #154), Liberty indicates that its Medicaid Assessment Fee will be \$95,294. The following table, however, demonstrates that Liberty has substantially understated the amount of this fee:



Johnston County CON Applications Analysis of Provider Assessment			
	Britthaven	Pruitt	Liberty
Private Days	2,774	730	2,801
Medicaid Days	25,798	12,775	15,886
Other Days		1,095	
Total Days	28,572	14,600	18,687
Provider Assessment*	\$12.75	\$12.75	\$12.75
Calculated Assessment	\$364,293	\$186,150	\$238,259
Per Schedule C (Year 2)	\$364,293	\$192,037	\$95,294
Difference	\$0.00	(\$5,887)	\$142,965
* Calculation: Total Days of Care * Provider Assessment (\$12.75)			

Liberty apparently should have projected a cost of \$238,259 for its provider assessment fee. The \$142,965.25 shortfall would have a direct impact on the facility's profitability. This apparent major error casts doubt on the reliability of Liberty's projections and, thus, its financial feasibility.

Utilities

Liberty also appears to have significantly understated its projected utility costs, as illustrated in the following table.

Analysis of Projected Utility Costs 2010 Johnston County CON Review									
	A	B	C	D	E	F	G	H	I
1		Form C	Given	B / C	Given	D - E	C * F (if G neg.)	D - [Avg. D3,D4]	C * H
2	Applicant	Utility Cost	Beds	Util/Bed	State Avg.	Understate per Bed	Total Understate	Understate Based on Average of Britt. & Pruitt	Total Understate
3	Britthaven	\$167,640	100	\$1,676.40	\$1,382.32	\$294.08			
4	Pruitt	\$107,897	60	\$1,798.28	\$1,382.32	\$415.96			
5	Liberty	\$96,000	90	\$1,066.67	\$1,382.32	(\$315.65)	(\$28,408.70)	(\$670.68)	(\$60,360.75)

Given industry trends and SMFP expectations, all three buildings in this review would be significantly larger per bed than a typical existing North Carolina Nursing Home. For the year that ended September 30, 2009, the average utility cost in North Carolina was \$1,382.32 per bed. Based upon that number, Liberty has understated their utility costs by \$28,409 (cell F5 above). If one accounts for the increase in facility size, and uses the



average of the utility costs projected by Britthaven and Pruitt, the understatement of Liberty's utility cost is \$60,361 (cell I5 above).

PRUITT

Overall Costs

In contrast to Liberty, Pruitt projects comparatively higher costs per patient day in most direct and indirect cost-centers. These higher costs are likely attributable, in most cases, to the small size of Pruitt's proposed 60-bed facility. Pruitt simply cannot distribute its costs as effectively as other applicants in this review and particularly not as effectively as Britthaven.

The 2010 SMFP recognizes, on page 203, that ninety (90) beds is the preferred minimum size for a new facility. It is at this size that facilities begin to achieve economies of scale without limiting access to the medically underserved population.

This comparison of proposed applicant costs in this review demonstrates the logic behind favoring larger size facilities. As shown, there is a clear relationship between lower costs and a greater number of beds. Furthermore, Britthaven is able to serve a higher number and percentage of Medicaid recipients given its larger size. These benefits are consistent with the objectives of the 2010 SMFP's Basic Principles (Quality, Access, and Value).

CHARGES

As illustrated in the table below, both Pruitt and Liberty propose charges to individuals (private pay) and institutional sources of reimbursement (e.g. the Medicaid and Medicare programs) that are higher than Britthaven's proposed charges.



Rates/Charges (SECTION X)				
Applicants	Britthaven (Cleveland)	Britthaven (Clayton)	Pruitt	Liberty
Traditional NF Beds				
Medicaid				
Private Room	\$159.41	\$159.41	\$163.18	\$158.14
Semi-Private Room	\$159.41	\$159.41	\$163.18	\$158.14
Medicare				
Private Room	\$405.00	\$405.00	\$438.15	\$413.11
Semi-Private Room	\$405.00	\$405.00	\$438.15	\$413.11
Private Pay				
Private Room	\$175.00	\$175.00	\$210.00	\$195.00
Semi-Private Room	\$165.00	\$165.00	\$193.23	\$185.00

In the three primary payor-source categories—Medicaid, Medicare, and Private Pay—Britthaven has proposed the lowest charges.

In contrast, Liberty and Pruitt have proposed higher rates in each category. There are several significant effects to this higher cost-structure. First, with either Liberty or Pruitt a greater burden will be placed on individuals who pay for care out-of-pocket. The second effect, which impacts Pruitt especially, is even more significant (as described below).

Medicare Charges & Days of Care

The operational and financial feasibility of Pruitt's small (60-bed) facility relies on the provision of an extremely high percentage of Medicare days of care (31%), which are reimbursed at a very high projected rate (\$438.15 ppd). This projection of 31% days of care to Medicare recipients may be unrealistic given that the average Medicare days of existing Johnston County providers is 16% and the highest single percentage of Medicare days for any provider in Johnston County was 23.3% in FY 2009. Additionally, the North Carolina average was 16.5% Medicare days of care for all facilities. Based on these data, Pruitt's projected number and percentage of Medicare days likely is unreasonable. As a result, the projection of Medicare revenue is questionable, thereby rendering the financial feasibility of Pruitt's proposal suspect.

As a result of their proposed higher charges, both Liberty and Pruitt are less-effective alternatives than Britthaven.



(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 handicapped persons, 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;

Liberty and Britthaven are the only existing providers applying for a CON in this review. An examination of FY2009 Johnston County nursing facility utilization reveals that the medically underserved populations may not have adequate access to Liberty's facility in Benson. See below:

Johnston County Nursing Facility Utilization by Payor Source Existing Facilities, FY 2009										
	Beds	Days Avail.	NF Days	Occup. %	Medicaid Days	Medicaid %	Medicare Days	Medicare %	Other %	Total M/Caid + M/Care
Britthaven of Smithfield	200	73,000	63,115	86%	48,152	76.3%	10,945	17.3%	6.4%	93.6%
Liberty Commons	100	36,500	31,866	87%	21,313	66.9%	5,340	16.8%	16.4%	83.3%
Smithfield Manor	160	58,400	54,806	94%	42,525	77.6%	6,229	11.4%	11.0%	89.0%
Brian Center/Clayton	90	32,850	30,726	94%	17,687	57.6%	7,148	23.3%	19.2%	80.8%
Total/Average	550	200,750	180,513	90%	129,677	71.8%	29,662	16.4%	11.7%	88.3%

Source: FY2009 Medicaid Cost Reports

Based on these data, 66.9% of Liberty's days of care in FY2009 were provided to Medicaid recipients, which is less than the 71.8% average for all Johnston County facilities. Based on past CON precedent, it is possible that Liberty is non-conforming to this criterion.

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

Both Pruitt (60.3%) and Liberty (68%) project Medicaid NF days (as a percentage of Total NF days) that are below the Johnston County average (71.8%) in FY2009.



Facility	<u>PROJECTED</u> Medicaid NF Days as a % of Total NF Days
Britthaven (Cleveland)	74.4%
Britthaven (Clayton)	74.4%
Pruitt	60.3%
Liberty	68.0%
Johnston County Average	71.8%
Statewide Average	68.0%
Source: CON applications & FY2009 Medicaid Cost Reports	

By contrast, Britthaven projects a payor mix that exceeds the Johnston County average (74.4%) for Medicaid days. This percentage of days is based on our experience providing NF care in Johnston County, and particularly our commitment to serving the Medicaid population (76.3% of FY2009 days of care at Britthaven of Smithfield were provided to Medicaid recipients). Therefore, Britthaven is the most effective alternative with respect to accessibility to the medically underserved (both in terms of number of beds and proposed days of care) and Liberty and Pruitt may each be non-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.

Pruitt sent a form letter to various purported health training programs (mostly outside of Johnston County) but received no responses from the programs. Additionally, Pruitt did not contact a single high school in Johnston County, despite the fact that at least four (4) offer CNA training programs. In contrast, Britthaven received written correspondence from two (2) health professional training programs in Johnston County (Johnston County Community College and Clayton High School). Pruitt is not the most effective alternative in terms of this criterion from a comparative perspective.

(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.



The cost effectiveness of both Liberty's and Pruitt's proposals is questionable. Liberty is proposing to relocate 24 of its 60 existing ACH beds from its Benson facility. It is important to note that these 60 ACH beds are relatively new. Even more, according to the May 15, 2007 Certificate of Need Monthly Project Report, Liberty submitted a cost overrun application for development of these beds. In sum, Liberty only recently developed these beds for a cost greater than anticipated and is now proposing to relocate almost 50% of them. Furthermore, in operating the 24 relocated beds at its proposed new facility, Liberty projects operating losses in its new ACH unit of \$293,662 in Year 1 and \$243,411 in Year 2. Under these circumstances Liberty's project hardly seems to represent a cost-effective alternative.

Vacated Space

It is also worth noting that, unlike Britthaven, Liberty apparently offers no indication of what will become of the vacated space at its Benson facility. Whereas Britthaven developed a comprehensive plan for utilizing the space at Britthaven of Smithfield, including offering a detailed floor plan and a cost estimate, Liberty provides no such documentation.

(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.

Administrative Criteria & Standards for Nursing Facility or Adult Care Home Services

10A NCAC 14C .1102 PERFORMANCE STANDARDS

(d) An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.



Liberty

On page 70 of its application, Liberty projects that it will achieve 92% utilization in its ACH beds during its second year of operation. This projection appears unrealistic. Liberty provides in its application, on page 61, a table with occupancy rates for 20 existing Johnston County ACHs. Of these 20, only five (5) achieved an occupancy rate of 92% or greater. Liberty's own existing ACH beds operated at only 50% occupancy. Liberty likely has not adequately stated all of its assumptions, including the specific methodology, for this 92% utilization projection. As a result, Liberty's application is non-conforming to this administrative criterion.

ADDITIONAL COMPARATIVE CONSIDERATIONS

The following discussion addresses additional points of differentiation between the three applicants in this review. These categories of comparison do not necessarily correlate to a specific review criterion; however, in many cases they are consistent with comparative analyses conducted by the CON Section in prior NF-bed reviews. Furthermore, these comparisons are of substantive issues that likely would reflect a provider's ability to deliver the services proposed.

NUMBER OF PRIVATE ROOMS

The following table compares the number of private rooms each applicant proposes to offer.

Applicants	Britthaven (Cleveland)	Britthaven (Clayton)	Pruitt	Liberty
NEW FACILITY NF Beds				
Private	44	44	30	26
Semi-Private	56	56	30	40
TOTAL NEW NF BEDS	100	100	60	66
NEW FACILITY ACH Beds				
Private	0	0	0	4
Semi-Private	0	0	0	20
TOTAL NEW ACH BEDS	0	0	0	24
EXISTING FACILITY NF Beds				
NEW Private	40	40		6
EXISTING FACILITY ACH Beds				
Private	0	0	0	
Semi-Private	0	0	0	
TOTAL NF PRIVATE BEDS	84	84	30	26

As shown, the result of implementing either of Britthaven's proposals will be the addition of 84 private rooms for Johnston County residents. Given the focus of Policy NH-8 in the 2010 SMFP, Britthaven is clearly the most effective alternative in this review with respect to innovative features in facility design.

ACCESS TO PRIVATE ROOMS

As one of the Basic Principles of the 2010 SMFP, "Access" is a term with several meanings. First, it applies to ensuring that healthcare services are available to all



individuals in need, regardless of their ability to pay or their source of payment. These comments have already documented the shortcomings of Pruitt and Liberty with respect to ensuring that Medicaid recipients have adequate access to these new NF beds.

Taking the definition a step further, "Access" also refers to an individual's ability to receive equal services and accommodations within a healthcare facility. That is, it is not enough simply to serve the indigent or recipients of Medicaid. These individuals also should have equitable access to the features of these environmentally innovative facilities. Both Liberty and Pruitt appear to fail to offer this degree of access in their respective proposals, as demonstrated by each applicant's projected utilization of private rooms. Please see the following:

ANALYSIS OF ACCESS TO PRIVATE ROOMS BY PAYOR SOURCE JOHNSTON COUNTY, NC CON APPLICATION REVIEW																	
Britthaven of Johnston (Cleveland & Clayton)						Pruitt						Liberty					
Private Pay						Private Pay						Private Pay					
	Nursing	Alz.	Total	% of Total	% in Priv. Rm.		Nursing	Alz.	Total	% of Total	% in Priv. Rm.		Nursing	Alz.	Total	% of Total	% in Priv. Rm.
Priv. Rm.	1193	28	1221		44%	Priv. Rm.	730	0	730		100%	Priv. Rm.	2801	0	2801		100%
S-P Rm.	1165	388	1553			S-P Rm.	0	0	0			S-P Rm.	0	0	0		
Total Private	2358	416	2774	8.0%		Total Private	730	0	730	3.4%		Total Private	2801	0	2801	12.0%	
Medicare						Medicare						Medicare					
Priv. Rm.	2982	14	2996		49%	Priv. Rm.	6570	0	6570		100%	Priv. Rm.	4673	0	4673		100%
S-P Rm.	2913	194	3107			S-P Rm.	0	0	0			S-P Rm.	0	0	0		
Total Medicare	5895	208	6103	17.6%		Total Medicare	6570	0	6570	31.0%		Total Medicare	4673	0	4673	20.0%	
Medicaid						Medicaid						Medicaid					
Priv. Rm.	10735	305	11040		43%	Priv. Rm.	2920	0	2920		23%	Priv. Rm.	1825	0	1825		11%
S-P Rm.	10486	4272	14758			S-P Rm.	9855	0	9855			S-P Rm.	14061	0	14061		
Total Medicaid	21221	4577	25798	74.4%		Total Medicaid	12775	0	12775	60.3%		Total Medicaid	15886	0	15886	68.0%	
Hospice						Hospice						Hospice					
Priv. Rm.	0	0	0			Priv. Rm.	0	0	0		0%	Priv. Rm.	0	0	0		
S-P Rm.	0	0	0			S-P Rm.	1095	0	1095			S-P Rm.	0	0	0		
Total Hospice	0	0	0	0.0%		Total Hospice	1095	0	1095	5.2%		Total Hospice	0	0	0	0.0%	
TOTAL	29474	5201	34675			TOTAL	21170	0	21170			TOTAL	23360	0	23360		

As illustrated above, Britthaven proposes approximately equal access to private rooms for all three payor sources (44%, 49%, and 43%). Pruitt and Liberty, however, clearly favor Private Pay and Medicare recipients in terms of access to private rooms.



STAFFING

The following table presents each applicant's proposed staffing levels for NF beds.

Applicants	Britthaven (Cleveland)	Britthaven (Clayton)	Pruitt	Liberty
Staffing (SECTION VII), Table VII.4				
Nursing Hours Per Patient Day				
RN	0.42	0.42	0.6	0.62
LPN	1.01	1.01	0.70	0.62
TOTAL LICENSED NURSING	1.43	1.43	1.30	1.25
AIDES	2.45	2.45	2.2	2.92
TOTAL DIRECT CARE NURSING	3.88	3.88	3.50	4.17

Of all three applicants, Britthaven has projected the highest total number of licensed nursing hours per patient day (1.43). Also, Britthaven has projected the second-highest CNA hours per patient day (2.45) and total direct care nursing hours per patient day (3.88) of all applicants. Importantly, Britthaven's projections reflect an appropriate blend of all three levels of staffing, which contrasts with Liberty's high projection of CNA staff to boost the appearance of its overall staffing.

STAFF SALARY

The following table presents each applicant's Routine Salary expenses:



Applicants	Britthaven (Cleveland)	Britthaven (Clayton)	Pruitt	Liberty
Staff Salaries (VII.3)				
ROUTINE				
Medical Director	\$150/hr.	\$150/hr.	\$167/hr.	\$1,600/mo.
DON	\$83,000	\$83,000	\$83,555	\$82,992
ADON	\$63,000	\$63,000	\$55,310	-
SDC	\$63,000	\$63,000	-	\$53,498
MDS Nurse	\$58,000	\$58,000	\$47,619	\$49,920
Alz. Coord.	\$58,000	\$58,000	-	-
RN	\$54,080	\$54,080	\$55,310	\$52,000
Ventilator RN	\$54,080	\$54,080	-	-
LPN	\$45,760	\$45,760	\$45,045	\$43,597
CNA	\$23,888	\$23,888	\$26,473	\$22,971
CNA/Hour	\$12.25	\$12.25	\$13.58	\$11.78
Certified Vent. Techs.	\$25,314	\$25,314	-	-
Ward Secretary	\$28,000	\$28,000	-	\$21,008

In each Routine staffing category (those individuals who provide direct care and support), Liberty projects lower salaries than Britthaven. In comparison to Pruitt, Liberty projects lower salaries in all categories except one (MDS Nurse). An applicant that projects such low Routine staff salaries does not represent an effective alternative.

SPECIAL CARE SERVICES

Of the three applicants, only Britthaven proposes to offer a skilled Alzheimer's unit. In comparison, Pruitt proposes to offer an Alzheimer's/dementia care management program, despite recognizing, on p. 800 of its application, that the regional ombudsman believes there is "a need for Alzheimer's/Dementia programming" and that "the Alzheimer's/dementia special care units in Johnston County's existing nursing facilities stay full." Britthaven believes, and is supported by Alzheimer's North Carolina (please see letter in Britthaven's application from Alice Watkins, Executive Director), that Alzheimer's care is best provided in a dedicated environment. As the only provider proposing dedicated, skilled Alzheimer's beds, Britthaven is the most effective alternative from the perspective of the special care services that have been identified as needed in Johnston County.

Liberty, as stated on pages 43-44 of its application, does not propose any "special care services/units." This statement is apparently contradicted on page 79 in table VI.2, which indicates that Liberty will have an Alzheimer's/Dementia special care unit as part of its



ACH-bed complement. A review of the facility floor plan (line drawing) reveals no clear indication that Liberty's ACH beds will comprise a special care unit. In an examination of Section III of Liberty's application Britthaven found no discussion of the need for Alzheimer's services. Although Liberty indicates that it spoke with Ms. Nancy Murphy, Regional Ombudsman for Johnston County (who recommended a need for dedicated Alzheimer's beds to Britthaven and Pruitt), there is no mention that she expressed this need to Liberty. The lack of any clear indication of Liberty's intention for addressing the needs of Alzheimer's patients is problematic.



Summary and Conclusion:

Pruitt

Pruitt's proposed 60-bed skilled nursing facility does not represent the most effective alternative in this review. The facility's small size dictates a projection of a high number of Medicare days, thereby limiting access to Medicaid recipients. Pruitt's small size also necessitates the projection of relatively fewer direct care staff member, while at the same time higher projected total operating costs per patient day.

Liberty

Liberty's proposed combination 66-bed skilled nursing facility/24-bed adult care home is not located in the optimal part of Johnston County to benefit multiple areas of NF-bed need. Furthermore, Liberty has projected relatively limited access to Medicaid recipients (compared to the Johnston County average). Liberty's profitability is also suspect given several areas of apparently significant cost-understatement, as described above.

Britthaven

Unlike its competitors, Britthaven has presented alternatives that enable the Agency to pinpoint the optimal site location. Furthermore, Britthaven has demonstrated a continued commitment to serving the Medicaid population, as has been customary at our existing facility in Smithfield. A new, state-of-the-art facility in either Cleveland Township or Clayton Township will operate at the most efficient cost levels of all applicants. An added benefit to this proposal is that Britthaven of Smithfield, an older, mostly semi-private room building, will be able to undergo renovations that will create environmental enhancements in keeping with SMFP Policy NH-8, which have been favored by the Agency in past reviews. Lastly, Britthaven has committed to serving individuals with memory dysfunction in a secure environment, which is a need identified by the community. Britthaven's proposal is comprehensive and stands to benefit the largest segment of Johnston County residents of any applicant in this review.



PART I - CERTIFICATE OF NEED PROJECT REVIEW

Project No. FID	Applicant Date of Review	Public Comment Period Date	Project Description	County	Capital Expenditure	Public Hearing Date City & Location	Legal End Review Date	Analyst Decision & Decision Date & CON Issued
J-007619-06 923142 06/15/2006	Duke University Health System 07/01/2006	07/31/2006	Durham Regional Hospital Renovate the med/surg intensive care unit and the coronary care unit	Durham	8,682,080	08/11/2006 1:00 RALEIGH Dorothea Dix Campus, 701 Barbour Drive, Council Buildings, Room 201	09/28/2006 End Extension 11/27/2006	Carol Hutchison CA * 11/20/2006 Issued 01/10/2007
J-007626-06 923517 06/15/2006	University of North Carolina Hospitals at Chapel 07/01/2006	07/31/2006	University of North Carolina Acquire a replacement stereotactic radiosurgery linear accelerator	Orange	4,510,000	No Hearing to be scheduled Pursuant to N.C.G.S. 131E-185 (A1) (2)	09/28/2006 End Extension 11/27/2006	Delacy Bradsher CA * 07/27/2006 Issued 10/28/2006
J-007627-06 923517 06/15/2006	University of North Carolina Hospitals at Chapel 07/01/2006	07/31/2006	University of North Carolina Remotely station one air ambulance helicopter at Cape Fear Valley Medical Center in Fayetteville	Orange	1,972	No Hearing to be scheduled Pursuant to N.C.G.S. 131E-185 (A1) (2)	09/28/2006	Ron Loflin CA * 09/27/2006 Issued 10/28/2006
J-007630-06 060731 06/15/2006	WakeMed Raleigh Campus 07/01/2006	07/31/2006	WakeMed Property Services Acquire a rotary wing air ambulance service at WakeMed in Raleigh	Wake	1,013,760	08/16/2006 10 RALEIGH Dorothea Dix Campus, Council Building, Room 201 701 Barbour Drive	09/28/2006 End Extension 11/27/2006	Ron Loflin CA * 11/27/2006 Issued 12/28/2006
J-007631-06 060735 06/15/2006	Universal Properties/North Raleigh, LLC 07/01/2006	07/31/2006	Universal Health Care/ North Add 20 NF beds to Universal Health Care, Raleigh d/b/a Litchford Falls Healthcare and Rehabilitation	Wake	0	No Hearing to be scheduled Pursuant to N.C.G.S. 131E-185 (A1) (2)	09/28/2006	Michael J. McKillip D * 09/28/2006
J-007632-06 970198 06/15/2006	Liberty Healthcare Properties of Johnston Co., 07/01/2006	07/31/2006	Liberty Commons Nsg. and Cost overrun on project I. D. #J-6596-02 to add 60 ACH beds to a 100-bed nursing facility	Johnston	1,176,593	No Hearing to be scheduled Pursuant to N.C.G.S. 131E-185 (A1) (2)	09/28/2006 End Extension 11/27/2006	Tanya Rupp CA * 11/21/2006 Issued 12/23/2006