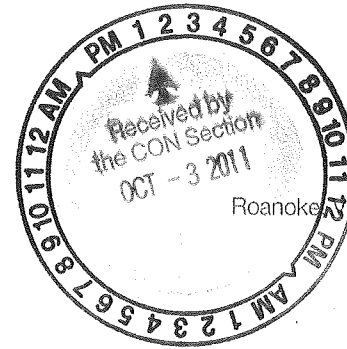




# Medical Facilities of North Carolina

October 3, 2011

Mr. Craig Smith, Chief  
Certificate of Need Section  
North Carolina Division of Health Service Regulation  
701 Barbour Dr.  
Raleigh, NC 27603



Corporate Office  
P.O. Box 29600  
Roanoke, Virginia 24018-0796

Re: Wake County Health & Rehabilitation Project I.D. # J-8712-11  
CON Application for the Development of 120 Nursing Home Beds in Wake County  
CON Application number: Project I.D. # J-8717-11

Dear Mr. Smith:

The future is now. Hospitals have long recognized that private rooms not only contribute to better patient clinical outcomes, but also a better quality of life and customer experience for their patients and families. Imagine the patient's dismay and emotional stress after being discharged from a private room at a hospital into a traditional shoulder-to-shoulder semi-private room for a short term or long term stay at a nursing home. Aside from the concerns of nosocomial infections, there are high levels of anxiety with receiving personal care with only a curtain separating them from their roommate. This "unwilling observer" issue is most concerning during end of life for patients and their loved ones. This trend can stop and a new standard to be set with the approval of Wake County Health and Rehabilitation (WCHR) which proposes virtually all private rooms for its short and long term patients, regardless of payor source.

Medical Facilities of North Carolina (MFNC) has been serving the short and long term care nursing home needs of North Carolina residents for over 20 years. We recognize it is an honor and privilege to be entrusted with caring for one of the state's most vulnerable population; the elderly. We currently serve over 1,000 patients in North Carolina alone with our trademarked programming including The Recovery Map, Advanced Rehabilitation and Conditioning, the 24 Hour Experience, Bridge Builders and LVAD.

Improving access to health care is an essential health care planning goal. The area of the Wake County with the fewest nursing home beds per 1,000 population 65+ is the Cary/Morrisville area with only 13.64 beds/1,000. The WCHR project is centrally located in the Cary/Morrisville area and easily accessible with its location off of Davis Drive. WCHR also provides the most access to Medicaid & Medicare patients (94.7%) of all the applications. Approval of WCHR will improve access to health care to the fastest growing part of the Wake County.

To ensure the project met the local needs, WCHR representatives sought the involvement of 19 community members including health care systems and professionals, existing retirement and assisted living operators, the Alzheimer's Association, Wake County Human Services, technical

community colleges and Cary government officials for their input and involvement in the WCHR project.

Finally, WCHR's proposed construction costs, private pay rates, total operating costs, staffing and salaries are reasonable compared to recently approved applications and existing providers in Wake County. The approval of the WCHR is the most efficient alternative of the applications submitted for 120 of the 240 beds in Wake County.

Please do not hesitate to call me should you have any questions.

Thank you in advance to your time and consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Hedrick", with a large, sweeping flourish extending to the left.

Bruce H. Hedrick

Vice President of Development

**Comments in Opposition from  
Wake County H & R Re, Limited Partnership, et al.  
Regarding a Certificate of Need Application  
Submitted by AH North Carolina Owner, LLC  
in Response to a Need Determination for 240 Nursing Facility Beds in  
the Wake County Service Area  
Submitted August 15, 2011 for September 1, 2011 Review Cycle**

**I. Introduction**

In accordance with N.C.G.S. Section 131E-185(a1)(1), Wake County H & R Re, Limited Partnership, Wake County H & R Ops, Limited, Medical Facilities of America, Inc., and Medical Facilities of North Carolina, Inc. (collectively referred to herein as "Wake County Health and Rehabilitation (WCHR)") submit the following comments regarding a Certificate of Need Application submitted AH North Carolina Owner, LLC in response to a need determination for 240 nursing facility beds in the Wake County Service Area for the September 1, 2011 review cycle.

The following 16 CON applications were submitted in response to a need determination for 240 nursing facility beds in the Wake County Service Area in the *2011 State Medical Facilities Plan (2011 SMFP)*:

- J-8711-11: Hillcrest Convalescent Center – develop a 120-bed nursing facility in Wake Forest
- J-8712-11: Wake County H & R Re, Limited Partnership – develop a 120-bed nursing facility called Wake County Health and Rehabilitation in Cary
- J-8713-11: Britthaven d/b/a Cedar Fork Health and Rehabilitation Center – develop a 120-bed nursing facility in Morrisville
- J-8714-11: Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh – Add 20 nursing facility beds for a total of 132 nursing facility beds
- J-8715-11: Britthaven d/b/a St. Mary's Health and Rehabilitation Center – develop a 100-bed nursing facility in Garner
- J-8717-11: AH North Carolina Owner, LLC – develop a 90-bed nursing facility on the campus of The Heritage of Raleigh
- J-8719-11: UniHealth Post Acute Care – Raleigh – add 20 nursing facility beds for a total of 170 nursing facility beds
- J-8720-11: UniHealth Post Acute Care – Cary – develop a 100-bed nursing facility in Morrisville
- J-8721-11: Universal Properties/Fuquay-Varina – add 60 nursing facility beds for a total of 109 nursing facility beds and 31 adult care home beds, convert 24 adult care home beds to an Alzheimer's unit
- J-8722-11: UniHealth Post Acute Care – North Raleigh – develop a 120-bed nursing facility in Northwest Raleigh

- J-8723-11: Liberty Healthcare – develop a 130-bed nursing facility in Garner by relocating 10 nursing facility beds from Capital Nursing and developing 120 additional beds
- J-8726-11: Liberty Healthcare – develop a 130-bed nursing facility in Morrisville by relocating 10 NF beds from Capital Nursing and developing 120 additional beds
- J-8727-11: Liberty Healthcare – develop a 130-bed nursing facility in North Raleigh by relocating 10 nursing facility beds from Capital Nursing and developing 120 additional beds
- J-8729-11: E.N.W., LLC/Bella Rose Nursing and Rehab Center – develop a 100-bed nursing facility in southeast Raleigh
- J-8730-11: Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary – develop a 120-bed nursing facility in Cary
- J-8731-11: Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh – develop a 120-bed nursing facility in Raleigh.

## II. Comparative Analysis

The Comparative Analysis in Attachment 1 shows that **Wake County Health and Rehabilitation** is the most effective alternative for a new nursing facility in Wake County, and specifically, within the Cary/Morrisville region of Wake County.

## III. CON Application of AH North Carolina Owner, LLC

AH North Carolina Owner, LLC (AH North Carolina Owner) submitted the following CON Application:

- J-8717-11: AH North Carolina Owner, LLC – develop a 90-bed nursing facility on the campus of The Heritage of Raleigh.

The Heritage of Raleigh is an independent living community operated by Brookdale Senior Living.

The following table shows the capital expenditure and working capital required by the AH North Carolina Owner CON Application.

### AH North Carolina Owner Wake County Nursing Facility CON Application

CON Application	Capital Expenditure	Total Working Capital	Grand Total
J-8717-11	\$20,961,007	\$2,904,561	\$23,865,568

The proposed facility will be operational on October 1, 2013.

As discussed in detail below, the AH North Carolina Owner CON Application should not be approved because it does not conform to multiple CON Review Criteria.

#### **IV. CON Review Criteria**

The following comments are submitted based upon the CON Review Criteria found at G.S.131E-183. While some issues impact multiple Criteria, they are discussed under the most relevant review Criteria and referenced in others to which they apply.

##### **G.S. 131E-183 (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.*

There are three *State Medical Facilities Plan (SMFP)* Policies applicable to the review of Wake County Nursing Facility Beds:

- Policy NH-8: Innovations in Nursing Facility Design
- Policy GEN-3: Basic Principles
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

As will be discussed in the context of CON Review Criteria (3), (4), (5), (6), (13.), and (18a), AH North Carolina Owner does not demonstrate:

- A need for the proposed project;
- That the proposed project will promote equitable access; and
- That the proposed project will maximize health care value for resources expended.

As a result, AH North Carolina Owner's CON Application does not conform to Policy GEN-3 and CON Review Criterion (1).

##### **G.S. 131E-183 (3) and (13)**

*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.*

#### **A. AH North Carolina Owner Proposes the Second Lowest Percentage of Days of Care to the Elderly and Medically Underserved Population**

As shown in the following table, AH North Carolina Owner proposes the second lowest percentage of days of care to the elderly and medically underserved groups, respectively and in the aggregate, of the competing CON applications.

**Wake County Nursing Facility CON Applications  
Proposed Days of Care to the Elderly and Medically Underserved Population  
Project Year 2**

CON Application	First Applicant	Medicaid	Medicare	Total Medicaid & Medicare
J-8712-11	Wake County H & R Re, LP	67.90%	26.80%	94.70%
J-8715-11	Britthaven d/b/a St. Mary's Health and Rehabilitation Center	76.00%	18.00%	94.00%
J-8713-11	Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	74%*	18.00%	92.00%
J-8729-11	E.N.W, LLC	72%*	17.00%	89.00%
J-8722-11	UniHealth Post Acute Care – North Raleigh	64.40%	21.70%	86.10%
J-8723-11	Liberty Healthcare	67.18%	18.92%	86.10%
J-8726-11	Liberty Healthcare	67.18%	18.92%	86.10%
J-8727-11	Liberty Healthcare	67.18%	18.92%	86.10%
J-8720-11	UniHealth Post Acute Care – Cary	64.60%	20.80%	85.40%
J-8721-11	Universal Properties/Fuquay-Varina	66.67%	17.14%	83.81%
J-8719-11	UniHealth Post Acute Care – Raleigh	46.30%	32.30%	78.60%
J-8714-11	Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	55.12%	22.83%	77.95%
J-8730-11	Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	50.65%	25.67%	76.32%
J-8731-11	Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	50.65%	25.67%	76.32%
<b>J-8717-11</b>	<b>AH North Carolina Owner, LLC</b>	<b>55.40%</b>	<b>20.00%</b>	<b>75.40%</b>
J-8711-11	Hillcrest Convalescent Center	25.45%	49.09%	74.55%

\*Includes hospice respice care

Payor mix does not include special care units, which are projected separately

For purposes of further comparison, the following table shows the average percentage of days of care provided to elderly and medically underserved population by all existing nursing facilities in Wake County, as documented in the Division of Medical Assistance (DMA) 2009 Audited Cost Reports and 2010 Unaudited Cost Reports, respectively.

**Existing Wake County Nursing Facilities  
Average Days of Care to the Elderly and Medically Underserved Population  
October 1, 2008 – September 30, 2010**

Average Days of Care	Medicaid	Medicare	Total
FFY 2009	67.6%	16.5%	84.1%
FFY 2010	67.5%	17.4%	84.9%

When compared with DMA Cost Reports, AH North Carolina Owner's projected Medicaid days of care are 12 percentage points lower than the average Medicaid days of care for existing Wake County nursing facilities in FFY 2009 and FFY 2010, respectively.

Total days of care projected by AH North Carolina Owner to the elderly and medically underserved population are nearly 9 percentage points lower than average days of care to the medically underserved population in the DMA Cost Reports for existing Wake County nursing facilities in FFY 2009 and FFY 2010, respectively.

AH North Carolina Owner does not, however, offer any explanation for the difference between existing Wake County nursing facility Medicaid and Medicare utilization and projected Medicaid and Medicare utilization of its proposed 90-bed nursing facility. AH North Carolina Owner's projections are not based on reasonable and supported assumptions, which result in unreasonable and unsupported utilization projections.

### **B. AH North Carolina Owner Proposes the Second Highest Percentage of Days of Care to Private Pay Patients**

As shown in the following table, AH North Carolina Owner proposes the second highest percentage of days of care to private pay patients of the competing CON applications.

**Wake County Nursing Facility CON Applications  
Proposed Days of Care to Private Pay Patients**

<b>CON Application</b>	<b>First Applicant</b>	<b>Private Pay</b>
J-8711-11	Hillcrest Convalescent Center	25.45%
<b>J-8717-11</b>	<b>AH North Carolina Owner, LLC</b>	<b>17.20%</b>
J-8730-11	Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	16.35%
J-8731-11	Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	16.35%
J-8714-11	Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	15.75%
J-8723-11	Liberty Healthcare	13.90%
J-8726-11	Liberty Healthcare	13.90%
J-8727-11	Liberty Healthcare	13.90%
J-8719-11	UniHealth Post Acute Care – Raleigh	11.60%
J-8729-11	E.N.W, LLC	10.00%
J-8721-11	Universal Properties/Fuquay-Varina	9.52%
J-8713-11	Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	8.00%
J-8720-11	UniHealth Post Acute Care – Cary	6.30%
J-8722-11	UniHealth Post Acute Care – North Raleigh	6.10%
J-8715-11	Britthaven d/b/a St. Mary's Health and Rehabilitation Center	6.00%
J-8712-11	Wake County H&R Re, LP	5.40%
	<b>Average</b>	<b>12.2%</b>

For purposes of further comparison, the following table shows days of care to private pay patients as a percentage of total days of care provided by freestanding nursing facilities in Wake County, as reported in the 2011 License Renewal Applications. Those facilities are neither CCRC-based nor hospital-based.

**Wake County Nursing Facilities  
Days of Care to Private Pay Patients as Percent of Total Days of Care  
October 1, 2009 – September 30, 2010**

Facility	Private Pay Patients
Rex Rehab and Nursing Care Center of Apex	30.30%
Hillside Nursing Center of Wake Forest	18.40%
UniHealth Post-Acute Care- Raleigh	16.70%
Sunnybrook Healthcare/Rehab Specialists	16.60%
Blue Ridge Health Care Center	15.90%
Universal Health Care - North Raleigh	15.70%
Wellington Healthcare and Rehabilitation	11.90%
Litchford Falls Healthcare & Rehab Center	11.40%
Capital Nursing and Rehab Center	9.50%
Guardian Care of Zebulon	9.00%
City of Oaks Health & Rehab Center	6.30%
Raleigh Rehabilitation & Healthcare Center	5.80%
Cary Health & Rehabilitation Center	4.90%
The Laurels of Forest Glenn	3.80%
<b>Average with Rex</b>	<b>12.59%</b>
<b>Average without Rex</b>	<b>11.22%</b>

AH North Carolina Owner projects that 17.2% of its days of care will be provided to private pay patients. That projection is between 4.6 and 6 percentage points higher than the average percentage of private pay patients in existing freestanding nursing facilities in Wake County, as shown in the previous table.

In sum, AH North Carolina Owner does not demonstrate a need to expend a sum of \$23.8 million to develop a new 90-bed nursing facility in Wake County when it will not provide equitable access to those beds by low income persons, the elderly, and other underserved groups. Consequently, the AH North Carolina Owner CON Application does not conform to CON Review Criterion (3).

**G.S. 131E-183 (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.*

The following table shows the capital expenditure and working capital required by AH North Carolina Owner.



**AH North Carolina Owner  
Wake County Nursing Facility CON Application**

CON Application	Capital Expenditure	Total Working Capital	Grand Total
J-8717-11	\$20,961,007	\$2,904,561	\$23,865,568

As shown in the following tables, AH North Carolina Owner proposes:

- **the largest capital expenditure and working capital amount**
- **a facility with the fewest number of nursing facility beds**

of the competing CON applications, as shown in the following table.

**Wake County Nursing Facility CON Applications  
Capital Expenditure and Working Capital Amount**

CON Application	First Applicant	Capital Expenditure	Total Working Capital	Grand Total
J-8717-11	AH North Carolina Owner, LLC	\$20,961,007	\$2,904,561	\$23,865,568
J-8711-11	Hillcrest Convalescent Center	\$17,916,708	\$596,012	\$18,512,720
J-8727-11	Liberty Healthcare	\$15,667,836	\$1,597,250	\$17,265,086
J-8723-11	Liberty Healthcare	\$14,719,180	\$1,600,412	\$16,319,592
J-8726-11	Liberty Healthcare	\$13,850,714	\$1,585,103	\$15,435,817
J-8731-11	Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$13,350,022	\$2,028,973	\$15,378,995
J-8712-11	Wake County H&R Re, LP	\$13,650,000	\$1,121,730	\$14,771,730
J-8730-11	Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$10,933,381	\$2,031,818	\$12,965,199
J-8713-11	Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$11,360,686	\$817,715	\$12,178,401
J-8722-11	UniHealth Post Acute Care – North Raleigh	\$10,604,159	\$1,353,798	\$11,957,957
J-8720-11	UniHealth Post Acute Care – Cary	\$9,713,726	\$1,221,951	\$10,935,677
J-8715-11	Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$9,586,489	\$729,773	\$10,316,262
J-8729-11	E.N.W, LLC	\$8,534,150	\$780,902	\$9,315,052
J-8721-11	Universal Properties/Fuquay-Varina	\$3,541,100	\$410,000	\$3,951,100
J-8719-11	UniHealth Post Acute Care – Raleigh	\$2,173,394	\$0	\$2,173,394
J-8714-11	Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$1,490,200	\$0	\$1,490,200

AH North Carolina Owner's grand total is over \$5 million greater than the next largest grand total for the project proposed by Hillcrest.

**Wake County Nursing Facility CON Applications  
Number of Nursing Facility Beds**

<b>CON Application</b>	<b>First Applicant</b>	<b>Proposed Nursing Facility Beds</b>
J-8719-11	UniHealth Post Acute Care – Raleigh	170
J-8714-11	Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	132
J-8723-11	Liberty Healthcare	130
J-8726-11	Liberty Healthcare	130
J-8727-11	Liberty Healthcare	130
J-8711-11	Hillcrest Convalescent Center	120
J-8712-11	Wake County H&R Re, LP	120
J-8713-11	Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	120
J-8722-11	UniHealth Post Acute Care – North Raleigh	120
J-8730-11	Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	120
J-8731-11	Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	120
J-8721-11	Universal Properties/Fuquay-Varina	109
J-8715-11	Britthaven d/b/a St. Mary's Health and Rehabilitation Center	100
J-8720-11	UniHealth Post Acute Care – Cary	100
J-8729-11	E.N.W, LLC	100
<b>J-8717-11</b>	<b>AH North Carolina Owner, LLC</b>	<b>90</b>

AH North Carolina Owner projects the highest capital expenditure per bed as shown in the following table.

**Wake County Nursing Facility CON Applications  
Capital Expenditure per Nursing Facility Bed**

<b>CON Application</b>	<b>First Applicant</b>	<b>Capital Expenditure per Nursing Facility Bed</b>
<b>J-8717-11</b>	<b>AH North Carolina Owner, LLC</b>	<b>\$232,900</b>
J-8711-11	Hillcrest Convalescent Center	\$149,306
J-8727-11	Liberty Healthcare	\$120,522
J-8712-11	Wake County H&R Re, LP	\$113,750
J-8723-11	Liberty Healthcare	\$113,224
J-8731-11	Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$111,250
J-8719-11	UniHealth Post Acute Care – Raleigh	\$108,670
J-8726-11	Liberty Healthcare	\$106,544
J-8720-11	UniHealth Post Acute Care – Cary	\$97,137
J-8715-11	Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$95,865
J-8713-11	Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$94,672
J-8730-11	Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$91,112
J-8722-11	UniHealth Post Acute Care – North Raleigh	\$88,368
J-8729-11	E.N.W, LLC	\$85,342
J-8714-11	Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$74,510
J-8721-11	Universal Properties/Fuquay-Varina	\$59,018
	<b>Average</b>	<b>\$108,887</b>

AH North Carolina Owner proposes a per bed capital expenditure of \$232,900, which is \$83,594 higher than the Hillcrest Convalescent Center, which is the next highest per bed capital expenditure.

AH North Carolina Owner has not demonstrated that it has proposed the least costly or most effective alternative as required by CON Review Criterion (4).

**G.S. 131E-183 (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.*

The CON Section should compare each applicant’s projected direct operating costs with actual experience in Wake County, to determine the reasonableness of the projections. The following table shows direct costs of AH North Carolina are 70% greater than the FFY 2010 average direct cost for Wake County nursing facilities.

First Applicant	Direct (less Ancillary) Operating Cost per Day Compared to Wake County Average	Percent of FFY 2010 Wake County Average
AH North Carolina Owner, LLC	\$192.60	170.0%
Wake County - Average Freestanding NHs – FFY 2010 Cost Reports	\$113.30	100.0%

The CON Section also should compare projected staffing ratios and staff salaries to other facilities in Wake County to determine whether staffing and other direct costs are overstated.

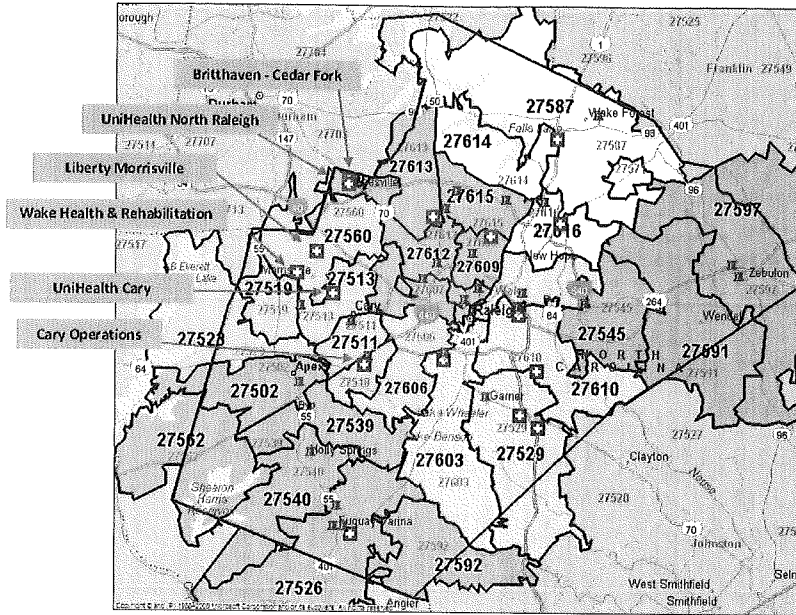
AH North Carolina Owner has not demonstrated that its financial and operating projections are based upon reasonable projections as required by CON Review Criterion (5).

**G.S. 131E-183 (6)**

*The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.*

In its Application, WCHR provided a detailed location analysis by geographic region in Wake County. AH North Carolina Owner proposes to develop a nursing facility with 90 beds on the campus of The Heritage of Raleigh, which is located at 1200 Carlos Drive, Raleigh 27609. The proposed AH North Carolina Owner facility is located in the Central Raleigh area designated in blue on the following map.

**Current and Proposed NH Locations - Wake County**



Blue Crosses - Proposed Locations  
Brown Pushpins - Existing Locations

The following table identifies existing and the number of proposed facilities by WCHR-defined geographic region.

**Location Analysis**

GEOGRAPHIC REGION	LEGEND FOR PREVIOUS MAP	NUMBER OF EXISTING FACILITIES**	NUMBER OF EXISTING AND CON APPROVED BEDS	BEDS PER 1000 POPULATION OVER 65	NUMBER OF PROPOSED NEW NURSING FACILITIES
Cary/Morrisville	Green	3	199	13.64	4 / 6*
North/Wake Forest	Yellow	2	242	28.51	1
Knightdale/Wendell/Zebulon	Purple	3	159	29.14	0
Central Raleigh	Blue	8	718	29.15	2 / 4*
East Raleigh/Garner	Orange	5	580	31.58	4
Apex/Holly Springs/Fuqua Varina	Pink	4	317	34.15	0
<b>Total</b>		<b>25</b>	<b>2215</b>	<b>27.41</b>	<b>13</b>

Source: WCHR CON Application, Exhibit 7, Tables 18, 19

\*Two facilities self-identified the proposed location as Morrisville.

\*\*Reflects the relocation of beds to Britthaven of Holly Springs

The previous table shows that the Cary/Morrisville region of Wake County has the lowest beds per thousand population for population ages 65 and over. The Central Raleigh region of Wake County has the third highest ratio of nursing facility beds to the population 65+. As will be discussed in more detail in the Comparative Analysis (Attachment 1), the Cary/Morrisville region of Wake County is the geographic area in which nursing home beds should be located,

which will not result in an unnecessary duplication of existing and approved health service capabilities facilities.

The proposed AH North Carolina Owner facility therefore is not the most effective alternative from a geographic perspective. The development of that facility will result in unnecessary duplication of existing and approved health service capabilities and nursing facilities in the Central Raleigh area.

AH North Carolina Owner has not carried its burden to demonstrate that the proposed project will not result in unnecessary duplication of existing and approved nursing facilities and capabilities. As a result, the AH North Carolina Owner CON Application does not conform to CON Review Criterion (6).

**G.S. 131E-183 (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.*

As discussed in the context of CON Review Criterion (4), the following table shows the capital expenditure and working capital required by AH North Carolina Owner.

**AH North Carolina Owner  
Wake County Nursing Facility CON Application**

CON Application	Capital Expenditure	Total Working Capital	Grand Total
J-8717-11	\$20,961,007	\$2,904,561	\$23,865,568

As shown in the following tables, AH North Carolina Owner proposes:

- **the largest capital expenditure and working capital amount**
- **a facility with the highest cost per beds**

of the competing CON applications, as shown in the following table.

**Wake County Nursing Facility CON Applications  
Capital Expenditure and Working Capital Amount**

CON Application	First Applicant	Capital Expenditure
<b>J-8717-11</b>	<b>AH North Carolina Owner, LLC</b>	<b>\$20,961,007</b>
J-8711-11	Hillcrest Convalescent Center	\$17,916,708
J-8727-11	Liberty Healthcare	\$15,667,836
J-8723-11	Liberty Healthcare	\$14,719,180
J-8726-11	Liberty Healthcare	\$13,850,714
J-8731-11	Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$13,350,022
J-8712-11	Wake County H&R Re, LP	\$13,650,000
J-8730-11	Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$10,933,381
J-8713-11	Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$11,360,686
J-8722-11	UniHealth Post Acute Care – North Raleigh	\$10,604,159
J-8720-11	UniHealth Post Acute Care – Cary	\$9,713,726
J-8715-11	Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$9,586,489
J-8729-11	E.N.W, LLC	\$8,534,150
J-8721-11	Universal Properties/Fuquay-Varina	\$3,541,100
J-8719-11	UniHealth Post Acute Care – Raleigh	\$2,173,394
J-8714-11	Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$1,490,200

AH North Carolina Owner's grand total is over \$5 million greater than the next largest grand total for the project proposed by Hillcrest. AH North Carolina Owner projects the highest capital expenditure per bed as shown in the following table.

**Wake County Nursing Facility CON Applications  
Capital Expenditure per Nursing Facility Bed**

CON Application	First Applicant	Capital Expenditure per Nursing Facility Bed
<b>J-8717-11</b>	<b>AH North Carolina Owner, LLC</b>	<b>\$232,900</b>
J-8711-11	Hillcrest Convalescent Center	\$149,306
J-8727-11	Liberty Healthcare	\$120,522
J-8712-11	Wake County H&R Re, LP	\$113,750
J-8723-11	Liberty Healthcare	\$113,224
J-8731-11	Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$111,250
J-8719-11	UniHealth Post Acute Care – Raleigh	\$108,670
J-8726-11	Liberty Healthcare	\$106,544
J-8720-11	UniHealth Post Acute Care – Cary	\$97,137
J-8715-11	Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$95,865
J-8713-11	Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$94,672
J-8730-11	Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$91,112
J-8722-11	UniHealth Post Acute Care – North Raleigh	\$88,368
J-8729-11	E.N.W, LLC	\$85,342
J-8714-11	Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$74,510
J-8721-11	Universal Properties/Fuquay-Varina	\$59,018
	<b>Average</b>	<b>\$108,887</b>

AH North Carolina Owner proposes a per bed capital expenditure of \$232,900, which is \$83,594 higher than the Hillcrest Convalescent Center, the next highest per bed capital expenditure.

AH North Carolina Owner has not demonstrated 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 as required by CON Review Criterion (12).

### **G.S. 131E-183 (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:*

- 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*

As discussed in detail in the context of CON Review Criterion (3), AH North Carolina Owner fails to document that it will provide adequate access to the elderly and medically underserved populations, which demonstrates non-conformity to CON Review Criterion (13).

### **G.S. 131E-183 (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.*

As discussed above, AH North Carolina Owner fails to demonstrate conformity with CON Review Criteria (1), (3), (4), (5), (6), and (13). Consequently, AH North Carolina Owner fails to demonstrate that its CON Application is conforming to CON Review Criterion (18a).

## **V. Conclusion**

The AH North Carolina CON Application has not demonstrated conformity with the CON Review Criteria and should be denied.

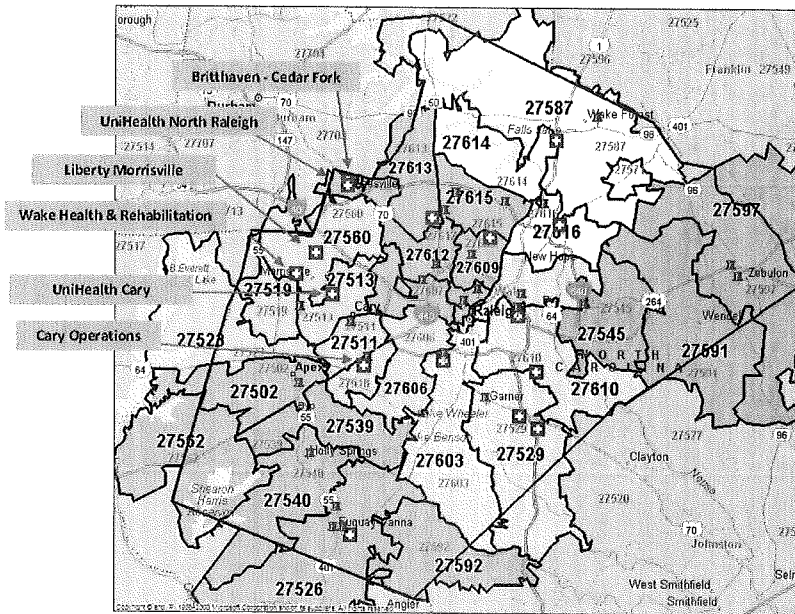
## WAKE COUNTY NURSING FACILITY COMPARATIVE ANALYSIS OCTOBER 1, 2011

Pursuant to N.C.G.S. 131E-183(a)(1), no more than 240 new nursing facility beds may be approved in this review for Wake County. The sixteen applicants collectively propose 1,590 new nursing facility beds; therefore, all sixteen applications cannot be approved. The following comparative analysis of the proposals documents the reasons that **Wake County Health and Rehabilitation (WCHR)** should be approved, and the applications submitted by the other applicants should be denied.

### Geographic Distribution of Beds

**WCHR** provided a detailed location analysis by geographic region in Wake County, which analysis supports the location of, at a minimum, 120 new nursing facility beds in the Morrisville/Cary region of Wake County. As reflected in the following map, four of the sixteen applicants proposed to locate a new facility in the **WCHR**-defined Morrisville/Cary region of Wake County (green). The two proposed facilities in Brier Creek (zip code 27617) identify their location in zip code 27560, which is in the Cary/Morrisville region of Wake County. Those six facilities are identified in the following map.

**Current and Proposed NH Locations - Wake County**



Blue Crosses - Proposed Locations  
Brown Pushpins - Existing Locations

As illustrated in the previous map, six applicants targeted the Morrisville/Cary region of Wake County. The East Raleigh/Garner region, as defined by **WCHR** (orange in the previous map) has four proposed new facilities and one expanded facility.

The following table identifies existing and the number of proposed facilities by **WCHR**-defined geographic region.



### Location Analysis

GEOGRAPHIC REGION	LEGEND FOR PREVIOUS MAP	NUMBER OF EXISTING FACILITIES**	NUMBER OF EXISTING AND CON APPROVED BEDS	BEDS PER 1000 POPULATION OVER 65	NUMBER OF PROPOSED NEW NURSING FACILITIES
Cary/Morrisville	Green	3	199	13.64	4 / 6*
North/Wake Forest	Yellow	2	242	28.51	1
Knightdale/Wendell/Zebulon	Purple	3	159	29.14	0
Central Raleigh	Blue	8	718	29.15	2 / 4*
East Raleigh/Garner	Orange	5	580	31.58	4
Apex/Holly Springs/Fuqua Varina	Pink	4	317	34.15	0
<b>Total</b>		<b>25</b>	<b>2215</b>	<b>27.41</b>	<b>13</b>

Source: WCHR CON Application, Exhibit 7, Tables 18, 19

\*Two facilities self-identified the proposed location as Morrisville.

\*\*Reflects the relocation of beds to Britthaven of Holly Springs

The previous table shows that the Cary/Morrisville region of Wake County has the lowest beds per thousand population for the 65+ population. WCHR is the most effective alternative because it is centrally located in the Cary/Morrisville region of Wake County. Of the remaining five applicants in the Cary/Morrisville region of Wake County, the new facility proposed by Cary Operations is one street (less than ¼ mile) from one of three existing nursing facilities in Cary, and does not improve access to services and therefore is not the most effective alternative.

### Water and Sewer Availability

All applicants provided documentation of the availability of sewer and water.

### Innovations in Nursing Facility Design

#### 2011 SMFP Policy NH-8

While all applications propose "innovation" and "neighborhoods," some provide more common areas for residents and more personal living space.

#### Nursing and Common Area per Bed

The following table compares the combined nursing and patient area per bed for each of the facilities proposed in Wake County.

First Applicant	Total Beds	Total Sq Ft per Bed	Nursing sq ft per Bed	Combined Dining and Recreation Patient Areas sq ft per Bed	Combined Nursing and Patient Areas	Other sq ft per Bed
Hillcrest Convalescent Center	120	669.6	355.8	107.8	463.5	206.1
Liberty Healthcare	130	610.7	273.3	130.1	403.3	207.3
Liberty Healthcare	130	610.7	273.3	130.1	403.3	207.3
AH North Carolina Owner, LLC	90	830.2	311.5	78.5	389.9	440.3
Liberty Healthcare	130	648.1	242.7	143.9	386.6	261.5
<b>Wake County H&amp;R Re, LP</b>	120	544.7	269.3	110.8	380.1	164.5
Universal Properties/Fuquay-Varina	109	496.0	281.3	88.9	370.2	125.8
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	100	608.8	275.8	82.8	358.6	250.1
UniHealth Post Acute Care – Cary	100	538.0	254.8	95.6	350.4	187.7
E.N.W, LLC	102	565.1	229.8	113.2	343.0	222.1
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	120	536.5	240.8	92.7	333.5	203.1
UniHealth Post Acute Care – North Raleigh	120	498.5	253.7	79.7	333.4	165.1
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	120	458.3	230.8	66.7	297.5	160.8
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	120	455.8	230.8	66.7	295.0	160.8
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	132	437.5	192.8	43.9	236.7	200.9
UniHealth Post Acute Care – Raleigh	20	0.0	0.0	0.0	0.0	0.0

The following table compares the combined nursing and patient area per bed for each of the six facilities proposed in the Morrisville/Cary region of Wake County.

First Applicant	Total Beds	Total Sq Ft per Bed	Nursing sq ft per Bed	Combined Dining and Recreation Patient Areas sq ft per Bed	Combined Nursing and Patient Areas	Other sq ft per Bed
Liberty Healthcare	130	610.7	273.3	130.1	403.3	207.3
<b>Wake County H&amp;R Re, LP</b>	120	544.7	269.3	110.8	380.1	164.5
UniHealth Post Acute Care – Cary	100	538.0	254.8	95.6	350.4	187.7
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	120	536.5	240.8	92.7	333.5	203.1
UniHealth Post Acute Care – North Raleigh	120	498.5	253.7	79.7	333.4	165.1
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	120	458.3	230.8	66.7	297.5	160.8

### Private Rooms

The **WCHR** project is unique because it will provide private bedrooms to all residents, regardless of payor source. This includes two new designs for private rooms with a shared bath (vs the standard shoulder-to-shoulder semi-private rooms) as part of its innovative approach to providing nursing care. In its companion suite and toe-to-toe suite, there are two private rooms with a shared bathroom. Each of these suites includes its own nurse's call pull station, individually controlled air conditioning unit, window, bedroom furniture, closet, and television. As discussed in the **WCHR** application, private rooms provide substantial

advantages to the residents of the facility and provide a better quality of life for short-term and long-term care residents. Benefits of Private Rooms include<sup>1</sup>:

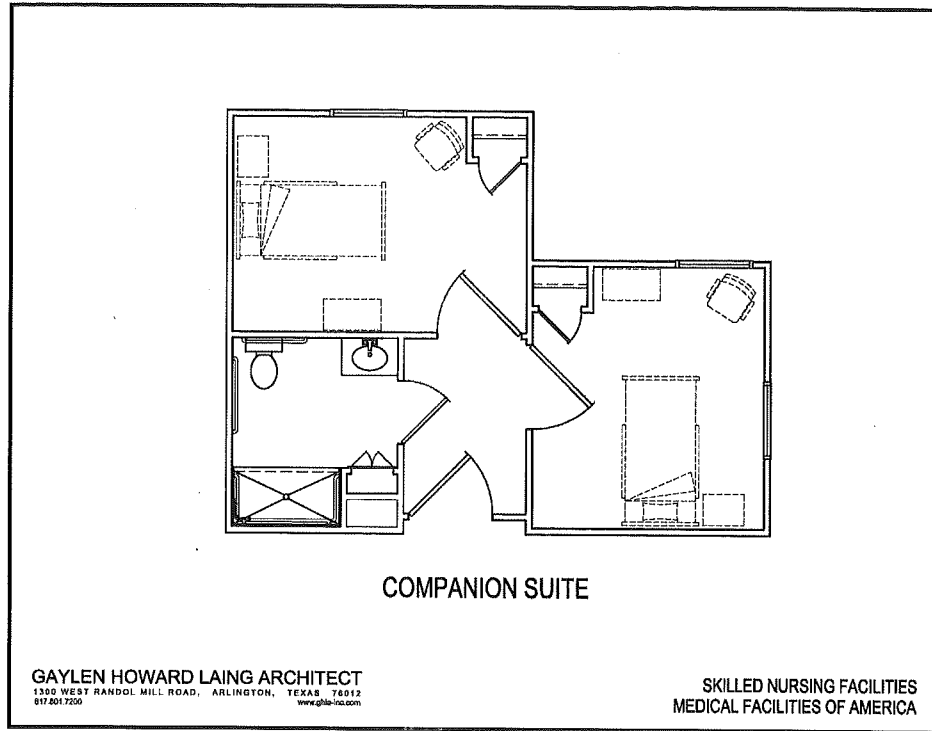
- Preferred room option by residents (individuals older than 50 preferred a private room over a semi-private room by a ratio of 20:1)
- Increases privacy for resident/guests
- Prevents resident from being an “unwilling observer” during activities of daily living, medical care, guest interactions, and end of life
- Decreases anxiety/aggression with dementia residents
- Enhances ability to meet the end of life needs for the resident and their family members
- Better setting for HIPPA compliance
- Operational efficiencies
  - Reduced marketing time for vacant units
  - Less time dealing with roommate and family conflicts (ranging from 2-3 hours per week to 25 hours per week)
  - Less time spent on managing unanticipated resident relocation within the facility and the domino effect of moving other residents to accommodate the initial relocation
  - There is some evidence that staff prefer when more residents are in private rooms
- Improves clinical outcomes
  - Residents in shared rooms are significantly higher at risk for nosocomial (health-care setting acquired) infections including clostridium difficile-associated diarrhea, antibiotic-associated diarrhea, methicillin-resistant staphylococcus aureus, influenza A, acute nonbacterial gastroenteritis and pneumonia
  - Residents face a 5% to 10% risk per year of an infection
  - These infections, mainly pneumonia and influenza A, account for almost ¼ of hospitalizations of nursing home residents
  - Pneumonia, the leading cause of death among nursing home residents (20-50% mortality rate) is the second most frequent nosocomial infection in nursing homes
  - In 1994, the average cost of hospitalization for an infection was \$7,500, and undoubtedly has increased significantly since then. But even at \$7,500, it would only take only 4.5 hospital stays to recoup the \$32,018 in added cost for the two private rooms vs. one semi-private room
  - In one study, the cost implication of nosocomial infections is estimated to be \$1 billion.
- Supports resident control
  - Lack of control over schedule (rise and retire time) and environment (TV, windows, light, etc.) cause frequent roommate conflict

Further, new hospitals include 100% private rooms for many of these same reasons. As discussed above, there is considerable research regarding the clinical savings of private rooms versus semi-private rooms; no research provides evidence of an actual cost savings associated with semi-private rooms. The following illustrations show the unique designs in semi-private rooms at **WCHR**, which enhance privacy for all residents, making companion suites “virtually private” accommodations.

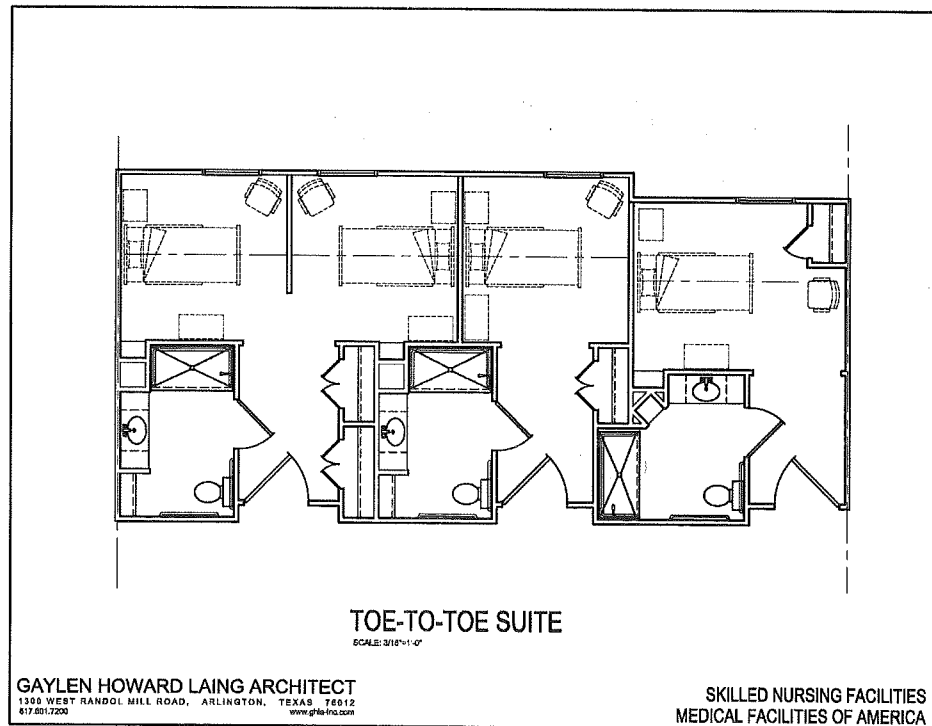
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<sup>1</sup> 2009 LNHA Annual Convention September 2009, Linda Sadden and KaraLe Causey “Envisioning your future in a nursing home”, Margaret P. Calkins, Ph.D. “Private Bedrooms in Nursing Homes; benefits, disadvantages and costs”, Margaret P. Calkins, Ph.D.

- Companion suites allow for enhanced privacy.



- Toe-to-toe designed suites also allow for enhanced privacy, by placing a wall between the two beds.



The following table illustrates the number of private, private with a shared bath (companion and toe-to-toe suites), and semi-private rooms proposed by each applicant.

First Applicant	PROPOSED # OF PRIVATE BEDS	PROPOSED # OF COMPANION SUITE BEDS	PROPOSED # OF TOE TO TOE BEDS	PROPOSED # OF PRIVATE BEDS	PROPOSED # OF TRADITIONAL SEMIPRIVATE BEDS
Wake County H&R Re, LP	40	32	48	120	0
Hillcrest Convalescent Center	104	0	0	104	16
AH North Carolina Owner, LLC	78	0	0	78	12
UniHealth Post Acute Care – North Raleigh	72	0	0	72	48
Universal Properties/Fuquay-Varina	67	0	0	67	42
Liberty Healthcare	66	0	0	66	64
Liberty Healthcare	66	0	0	66	64
Liberty Healthcare	66	0	0	66	64
UniHealth Post Acute Care – Cary	60	0	0	60	40
E.N.W, LLC	46	0	0	46	56
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	44	0	0	44	56
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	40	0	0	40	80
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	40	0	0	40	80
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	40	0	0	40	80
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	36	0	0	36	96
UniHealth Post Acute Care – Raleigh	30	0	0	30	140

As shown in the previous table, **WCHR** proposes the largest number of private rooms in a 120-bed facility. As the CON Section is aware, the number of private rooms proposed in an application is not always the number of private rooms that are developed by the applicant. On July 11, 2011, the CON Section issued a No Review letter to Liberty Healthcare approving its request to reduce the number of private rooms from 46 to 24 and to eliminate a 20-bed special care unit from the approved 120-bed Churchill Commons Nursing and Rehabilitation Center (Project I.D. #F-7911-07). Reduction of the number of private rooms and elimination of the 20-bed special care unit were based on Liberty Healthcare's representation that it could not construct the Churchill Commons facility within the approved capital expenditure of \$8.5 million plus the maximum 15% overrun. Liberty Healthcare stated that:

[b]y reducing the number of private rooms from 46 to 24, the percentage of private rooms will change from 55% to 33%. **A ratio of 33% private rooms is more consistent with the 30% range for private rooms that Liberty is considering for newer facilities.**  
**[Emphasis added.]**

A copy of the July 11, 2011 CON No Review letter is attached as Attachment 2.

Liberty Healthcare proposes to develop a 130-bed facility in the Cary/Morrisville region of Wake County with 66 private rooms and an Alzheimer's unit. That is a **ratio of 50.7% private rooms**, which ratio is **not "consistent with the 30% range for private rooms that Liberty Healthcare is considering for newer facilities."** Should Liberty Healthcare's Cary/Morrisville facility be approved, will Liberty Healthcare subsequently request approval to reduce private rooms from 66 to 39 and eliminate the proposed

Alzheimer's unit? That is certainly precedent for consideration by the CON Section when evaluating Liberty Healthcare's three applications, and the Cary/Morrisville region facility in particular.

As shown in the following table, **WCHR** is among the top three applicants based on square feet of patient rooms of the six facilities proposed for the Cary/Morrisville region of Wake County. Please note that Cary Operations' semi-private room square footage does not equal the square footage in its square footage table in Section XI of the application. In fact, the square footage provided in the five competing applications do not compare on the basis of units to beds. As a result, the following table contains calculations based on the patient room square footage and number of units.

First Applicant	SF OF PATIENT ROOMS	# OF UNITS	SF PER UNIT
Liberty Healthcare	28,194	98	288
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	22,400	80	280
<b>Wake County H&amp;R Re, LP</b>	<b>21,504</b>	<b>80</b>	<b>269</b>
UniHealth Post Acute Care – North Raleigh	20,736	96	216
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	20,160	80	252
UniHealth Post Acute Care – Cary	17,280	80	216

Of the six facilities proposed for the Cary/Morrisville region of Wake County, **WCHR** also is the most effective alternative regarding the number of private rooms proposed, as shown in the following table.

First Applicant	PROPOSED # OF PRIVATE BEDS	PROPOSED # OF COMPANION SUITE SEMIPRIVATE BEDS	PROPOSED # OF TOE TO TOE SEMIPRIVATE BEDS	PROPOSED # OF "VIRTUAL" PRIVATE BEDS	PROPOSED # OF TRADITIONAL SEMIPRIVATE BEDS
<b>Wake County H&amp;R Re, LP</b>	<b>40</b>	<b>32</b>	<b>48</b>	<b>120</b>	<b>0</b>
UniHealth Post Acute Care – North Raleigh	72	0	0	72	48
Liberty Healthcare	66	0	0	66	64
UniHealth Post Acute Care – Cary	60	0	0	60	40
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	40			40	80
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	40	0	0	40	80

Therefore, the proposal submitted by **WCHR** is the most effective alternative with regard to the number of private rooms to be developed.

### Access by Underserved Groups

#### Medicaid

The following table illustrates the applicants' projected percentage of total nursing patient days to be provided to Medicaid recipients, as well as the FFY 2010 Wake County and statewide averages.

Applicant*	Medicaid
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	74.00%
E.N.W, LLC	72.00%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	76.00%
<b>Wake County H&amp;R Re, LP</b>	<b>67.90%</b>
Liberty Healthcare	67.18%
Liberty Healthcare	67.18%
Liberty Healthcare	67.18%
Universal Properties/Fuquay-Varina	66.67%
UniHealth Post Acute Care – Cary	64.60%
UniHealth Post Acute Care – North Raleigh	64.40%
AH North Carolina Owner, LLC	55.40%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	55.12%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	50.65%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	50.65%
UniHealth Post Acute Care – Raleigh	46.30%
Hillcrest Convalescent Center	25.45%
Wake County Freestanding Nursing Facilities 2010 Medicaid (LRAs data from WCHR Exhibit 7, Table 31)	60.44%
Wake County Average Medicaid All Nursing Facilities 2010 Cost Report	67.5%

As shown in the above table, **WCHR** projects the fourth highest percentage of total patient days to Medicaid recipients. AH North Carolina, Universal Properties North Raleigh, Raleigh Operations, Cary Operations, Uni-Health Post Acute - Raleigh, and Hillcrest each project Medicaid patient data at a percent lower than currently provided in the market.

Of the six facilities proposed for the Cary/Morrisville region of Wake County, **WCHR** is the second most effective alternative with regard to the number of Medicaid days proposed as shown in the following table.

First Applicant	Medicaid
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	74%
<b>Wake County H&amp;R Re, LP</b>	<b>67.90%</b>
Liberty Healthcare	67.18%
UniHealth Post Acute Care – Cary	64.60%
UniHealth Post Acute Care – North Raleigh	64.40%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	50.65%
Wake County Freestanding Nursing Facilities 2010 Medicaid (LRAs data from WCHR Exhibit 7, Table 31)	60.44%
Wake County Average Medicaid All Nursing Facilities 2010 Cost Report	67.5%

### Medicare

With the aging population and the changes in the health care delivery system underway, more and more patients are being discharged from the hospital to nursing facilities for extended periods of rehabilitation and intensive care as discussed on paged 34-36 of the **WCHR** CON Application. As a result, the Medicare payor mix also is a relevant comparative factor for the review of new nursing facilities, as shown in the following table.

First Applicant	Medicare
Hillcrest Convalescent Center	49.09%
UniHealth Post Acute Care – Raleigh	32.30%
<b>Wake County H&amp;R Re, LP</b>	<b>26.80%</b>
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	25.67%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	25.67%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	22.83%
UniHealth Post Acute Care – North Raleigh	21.70%
UniHealth Post Acute Care – Cary	20.80%
AH North Carolina Owner, LLC	20.00%
Liberty Healthcare	18.92%
Liberty Healthcare	18.92%
Liberty Healthcare	18.92%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	18.00%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	18.00%
Universal Properties/Fuquay-Varina	17.14%
E.N.W, LLC	17.00%
Wake County Freestanding Nursing Facilities 2010 Medicare (LRAs data from WCHR Attachment 1, Table 31)	19.3%
Wake County Average Medicare All Nursing Facilities 2010 Cost Report	17.4%

Of all of the facilities proposed in Wake County, **WCHR** is the third most effective alternative overall with regard to the number of Medicare days. Only Hillcrest and UniHealth Acute Care - Raleigh (an existing facility) propose to provide more Medicare days of care. Both of those facilities provide less Medicaid days of care than the Wake County average provider as shown in the previous table, and are thus two of the least effective alternative for Medicaid.

Of the six facilities proposed for the Cary/Morrisville region of Wake County, **WCHR** is the most effective alternative with regard to the number of Medicare days proposed, as shown in the following table.

First Applicant	Medicare
<b>Wake County H&amp;R Re, LP</b>	<b>26.80%</b>
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	25.67%
UniHealth Post Acute Care – North Raleigh	21.70%
UniHealth Post Acute Care – Cary	20.80%
Liberty Healthcare	18.92%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	18.00%
Wake County Freestanding Nursing Facilities 2010 Medicare (LRAs data from WCHR Attachment 1, Table 31)	19.3%
Wake County Average Medicare All Nursing Facilities 2010 Cost Report	17.4%

Medicare/Medicaid Combined

The combined Medicare and Medicaid payor mix illustrates the proposed facilities commitment to meeting the needs of the elderly and underserved population in Wake County, as shown in the following table.



First Applicant	Medicaid/Medicare
<b>Wake County H&amp;R Re, LP</b>	94.70%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	94.00%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	92.67%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	92.00%
E.N.W, LLC	89.00%
UniHealth Post Acute Care – North Raleigh	86.10%
Liberty Healthcare	86.10%
Liberty Healthcare	86.10%
Liberty Healthcare	86.10%
UniHealth Post Acute Care – Cary	85.40%
Universal Properties/Fuquay-Varina	83.81%
UniHealth Post Acute Care – Raleigh	78.60%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	77.95%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	<b>76.32%</b>
AH North Carolina Owner, LLC	75.40%
Hillcrest Convalescent Center	74.55%

Of all of the facilities proposed in Wake County, **WCHR** has the highest proposed Medicare/Medicaid payer mix. As discussed in the WCHR Application, the payor mix for **WCHR** was determined after review of historical payer mix for existing Wake County facilities and facilities managed by MFNC in North Carolina. Therefore, **WCHR** is the most effective alternative overall with regard to the number of combined Medicare/Medicaid days proposed.

Of the six facilities proposed for the Cary/Morrisville region of Wake County, **WCHR** also is the most effective alternative with regard to the number of Medicare/Medicaid days proposed, as shown in the following table

First Applicant	Medicaid/Medicare
<b>Wake County H&amp;R Re, LP</b>	94.70%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	92.00%
Liberty Healthcare	86.10%
UniHealth Post Acute Care – Cary	85.40%
UniHealth Post Acute Care – Raleigh	78.60%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	<b>76.32%</b>

### Private Pay Charges

The following table illustrates the applicants projected private pay charges in the second full year of operation. Applicants are instructed to “assume all current charges, rates, costs and salaries will **not** be inflated to future operating years.” (*Emphasis* in original.) Further, in Section X.4, applicants are instructed to assume that “all current charges and rates will **not** be inflated to future operating years.” (*Emphasis* in original.)

First Applicant	Private Pay Charges for Private Room	Private Pay Charges for Semi-private Room
Hillcrest Convalescent Center	\$311.00	no data
UniHealth Post Acute Care – Raleigh	\$253.61	\$216.07
<b>Wake County H&amp;R Re, LP</b>	\$250.00	\$225.00
AH North Carolina Owner, LLC	\$244.33	\$221.13
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$240.00	\$205.00
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$240.00	\$205.00
<b>FFY 2010 Wake County Average</b>	<b>\$236.86</b>	<b>\$207.84</b>
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$198.00	\$188.00
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$198.00	\$188.00
E.N.W, LLC	\$196.00	\$186.00
Universal Properties/Fuquay-Varina	\$190.00	\$180.00
Liberty Healthcare	\$190.00	\$170.00
Liberty Healthcare	\$190.00	\$170.00
Liberty Healthcare	\$190.00	\$170.00
UniHealth Post Acute Care – Cary	\$188.00	\$179.00
UniHealth Post Acute Care – North Raleigh	\$188.00	\$179.00
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$180.00	\$165.00

As shown in the previous table, the FFY 2010 Wake County average private pay rate is higher than the proposed private pay rates of ten of the applicants in this review. In addition, inflating the FFY 2010 average by 6% for one year to FFY 2011 (the current year) results in an estimated private pay rate for Wake County of over \$250.00 per day. Only two applicants, Hillcrest and Uni-Health Raleigh, have higher private pay rates. Because the majority of applicants understated private pay charges, it is not reasonable to use that variable in the comparative analysis.

First Applicant	Private Pay Charges for Private Room	Private Pay Charges for Semi-private Room
<b>Wake County H&amp;R Re, LP</b>	\$250.00	\$225.00
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$240.00	\$205.00
<b>FFY 2010 Wake County Average</b>	<b>\$236.86</b>	<b>\$207.84</b>
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$198.00	\$188.00
Liberty Healthcare	\$190.00	\$170.00
UniHealth Post Acute Care – Cary	\$188.00	\$179.00
UniHealth Post Acute Care – North Raleigh	\$188.00	\$179.00

The following table compares the applicants' projected private pay charges in the second full year of operation to their Wake County related entity(ies) FFY 2010 private pay rates.

First Applicant	Private Pay Charges for Private Room	Private Pay Charges for Semi-private Room	Wake County Related Entity	Private Pay Charges for Private Room	Private Pay Charges for Semi-private Room
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$240.00	\$205.00	Blue Ridge	\$455.00	\$405.00
<b>Wake County H&amp;R Re, LP</b>			none	\$250.00	\$225.00
<b>FFY 2010 Wake County Average</b>				<b>\$236.86</b>	<b>\$207.84</b>
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$198.00	\$188.00	Britthaven City of Oaks	\$192.00	\$182.00
Liberty Healthcare	\$190.00	\$170.00	Capital Nursing	\$170.00	\$150.00
UniHealth Post Acute Care – Cary*	\$188.00	\$179.00	The Oaks at Mayview*	\$239.00	\$198.25
UniHealth Post Acute Care – North Raleigh*	\$188.00	\$179.00	UniHealth Post Acute Raleigh*	\$237.00	\$202.00

\*The Oaks at Mayview and UniHealth Post Acute Raleigh are related entities of UniHealth Post Acute Care – Cary and UniHealth Post Acute Care – North Raleigh.

As shown in the previous table, the Wake County related entity(ies) FFY 2010 private pay rate is higher for all but one of the applicants. For example, the FFY 2010 private pay rate for Blue Ridge, the Wake County related entity of Cary Operations is more than twice the projected private pay charges. The previous table is a further illustration that a majority of applicants understated private pay charges. It is therefore not reasonable to use that variable in the comparative analysis.

### Operating Costs

The following table illustrates the applicants' projected operating costs per patient day in the second year of operation. Applicants are instructed to "assume all current charges, rates, costs and salaries will not be inflated to future operating years." (Emphasis in original.) The data shown in the following table is taken from each applicant's table in Form C.

First Applicant	Direct (less Ancillary) Operating Cost per Day PY 2	INDIRECT COST PER PATIENT DAY	TOTAL DIRECT COST (LESS ANCILLARY) PLUS INDIRECT COST PER PATIENT DAY
Universal Properties/Fuquay-Varina	\$121.05	\$ 52.02	\$173.07
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$136.21	\$ 55.17	\$191.38
E.N.W, LLC	\$139.09	\$ 58.65	\$197.74
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$140.89	\$ 61.88	\$202.77
Liberty Healthcare	\$143.54	\$ 59.27	\$202.81
Liberty Healthcare	\$143.54	\$ 59.57	\$203.11
Liberty Healthcare	\$143.54	\$ 59.65	\$203.19
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$142.86	\$ 63.02	\$205.88
<b>Wake County H&amp;R Re, LP</b>	<b>\$128.01</b>	<b>\$ 86.92</b>	<b>\$214.93</b>
Hillcrest Convalescent Center	\$134.24	\$ 97.38	\$231.62
UniHealth Post Acute Care – Cary	\$157.87	\$ 76.77	\$234.64
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$154.58	\$ 82.04	\$236.62
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$154.58	\$ 82.25	\$236.83
UniHealth Post Acute Care – North Raleigh	\$162.97	\$ 74.87	\$237.84
UniHealth Post Acute Care – Raleigh	\$192.26	\$ 81.34	\$273.60
AH North Carolina Owner, LLC	\$192.60	\$104.87	\$297.47

Total operating costs for **WCHR** are in the middle of the group overall as shown in the previous table, and are reasonable as determined in the review. Direct operating costs (less ancillary) for **WCHR** are the second lowest of all applicants, as shown in the following table.

First Applicant	Direct (less Ancillary) Operating Cost per Day PY 2	INDIRECT COST PER PATIENT DAY	TOTAL DIRECT COST (LESS ANCILLARY) PLUS INDIRECT COST PER PATIENT DAY
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$140.89	\$ 61.88	\$202.77
Liberty Healthcare	\$143.54	\$ 59.27	\$202.81
<b>Wake County H&amp;R Re, LP</b>	<b>\$128.01</b>	<b>\$ 86.92</b>	<b>\$214.93</b>
UniHealth Post Acute Care – Cary	\$157.87	\$ 76.77	\$234.64
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$154.58	\$ 82.04	\$236.62
UniHealth Post Acute Care – North Raleigh	\$162.97	\$ 74.87	\$237.84

Total operating costs for **WCHR** are in the middle of the group overall for the six facilities proposed in the Cary/Morrisville region of Wake County, as shown in the previous table, and are reasonable as determined in the review. Direct operating costs (less ancillary) for **WCHR** are the lowest of the six applicants.

The CON Section also should compare each applicant’s projected direct operating costs with actual experience in Wake County and in North Carolina on average, to determine the reasonableness of the projections. The following table shows that direct costs for ten of the sixteen applicants are 25% greater than the FFY 2010 average direct cost for Wake County nursing facilities. The CON Section should compare projected staffing ratios and staff salaries to other facilities in Wake County and to related entities of the applicants in North Carolina.

First Applicant	Direct (less Ancillary) Operating Cost per Day Compared to Wake County Average	Percent of FFY 2010 Wake County Average
AH North Carolina Owner, LLC	\$192.60	170.0%
UniHealth Post Acute Care – Raleigh	\$192.26	169.7%
UniHealth Post Acute Care – North Raleigh	\$162.97	143.8%
UniHealth Post Acute Care – Cary	\$157.87	139.3%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$154.58	136.4%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$154.58	136.4%
Liberty Healthcare	\$143.54	126.7%
Liberty Healthcare	\$143.54	126.7%
Liberty Healthcare	\$143.54	126.7%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$142.86	126.1%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$140.89	124.4%
E.N.W, LLC	\$139.09	122.8%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$136.21	120.2%
Hillcrest Convalescent Center	\$134.24	118.5%
<b>Wake County H&amp;R Re, LP</b>	<b>\$128.01</b>	<b>113.0%</b>
Universal Properties/Fuquay-Varina	\$121.05	106.8%
Wake County - Average Freestanding NHs – FFY 2010 Cost Reports	\$113.30	100.0%

**WCHR** based its staffing patterns and salaries on historical utilization of related entities in North Carolina.

The following table shows that direct costs for thirteen of the sixteen applicants are 25% greater than the FFY 2010 average direct cost for Wake County nursing facilities.

First Applicant	Direct (less Ancillary) Operating Cost per Day Compared to Statewide Average	Percent of FFY 2010 Statewide Average
AH North Carolina Owner, LLC	\$192.60	178.7%
UniHealth Post Acute Care – Raleigh	\$192.26	178.4%
UniHealth Post Acute Care – North Raleigh	\$162.97	151.2%
UniHealth Post Acute Care – Cary	\$157.87	146.5%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$154.58	143.4%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$154.58	143.4%
Liberty Healthcare	\$143.54	133.2%
Liberty Healthcare	\$143.54	133.2%
Liberty Healthcare	\$143.54	133.2%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$142.86	132.5%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$140.89	130.7%
E.N.W, LLC	\$139.09	129.0%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$136.21	126.4%
Hillcrest Convalescent Center	\$134.24	124.5%
<b>Wake County H&amp;R Re, LP</b>	<b>\$128.01</b>	<b>118.8%</b>
Universal Properties/Fuquay-Varina	\$121.05	112.3%
All NHs - Average Statewide – FFY 2010 Cost Reports	\$107.79	100.0%

The following table provides FFY 2010 direct costs for existing facilities in Wake County, and compares those with related entities of applicants in this review.

Existing Nursing Facility	FFY 2010 Unaudited Cost Report	Related Entity - Wake County Applicant	Proposed Direct (less Ancillary) Operating Cost per Day PY 2 for Related Entities	Percent of Existing Related Entity – FFY 2010
Glenaire	\$182.06			
Mayview Convalescent Center/The Oakes at Mayview	\$180.74	UniHealth Facilities	\$192.26; \$157.87 ; 162.97	106.4% ; 87.4%; 90.2%
Rex Rehab and Nursing Care Center of Apex	\$160.72			
Sunnybrook Healthcare/Rehab Specialists	\$124.99			
Raleigh Rehabilitation & Healthcare Center	\$121.15			
City of Oaks Health & Rehab Center	\$119.82			
Blue Ridge Health Care Center	\$113.13	Cary Operation/North Operation	\$154.58	136.6%
The Laurels of Forest Glenn	\$113.11			
Wellington Healthcare and Rehabilitation	\$112.72			
Cary Health & Rehabilitation Center	\$106.18			
Capital Nursing and Rehab Center	\$104.37	Liberty Facilities	\$143.54	137.5%
Guardian Care of Zebulon	\$100.12			
Hillside Nursing Center of Wake Forest	\$100.07	ENW	\$139.09	139.0%
Litchford Falls Healthcare & Rehab Center	\$97.97			
Universal Health Care - North Raleigh	\$97.27	Universal Facilities	\$136.21 ; \$121.05	140% ; 124.5%
UniHealth Post-Acute Care- Raleigh	No Report	UniHealth Facilities	\$192.26; \$157.87 ; 162.97	

The previous table illustrates that the range of direct costs, as reflected in the FFY 2010 cost reports, were \$182.06 per day at Glenaire, to \$97.27 per day at Universal Health Care – North Raleigh. The previous table also matches related entities in Wake County with applicants. With the exception of UniHealth, proposed direct costs exceed the historical of all related entities of applicants by 25% to 40% as shown in the previous table.

**Staffing**

Salaries

Those applicants highlighted in red in the following tables were identified as applicants with direct costs greater than 25% of FFY 2010 Wake County average direct costs. The following tables illustrate the applicants' projected direct care nursing salaries during Project Year Two, as reported by the applicants in Section VII.3.

<b>First Applicant</b>	<b>RN</b>
UniHealth Post Acute Care – Raleigh	\$66,253
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$64,200
Universal Properties/Fuquay-Varina	\$62,691
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$61,194
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$61,194
UniHealth Post Acute Care – North Raleigh	\$60,454
UniHealth Post Acute Care – Cary	\$60,342
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$58,240
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$58,240
Liberty Healthcare	\$57,000
Liberty Healthcare	\$57,000
Liberty Healthcare	\$57,000
E.N.W, LLC	\$57,000
<b>Wake County H&amp;R Re, LP</b>	<b>\$56,160</b>
AH North Carolina Owner, LLC	\$54,237
Hillcrest Convalescent Center	\$50,462

<b>First Applicant</b>	<b>LPN</b>
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$54,309
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$54,309
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$53,498
UniHealth Post Acute Care – Raleigh	\$50,443
<b>Wake County H&amp;R Re, LP</b>	<b>\$49,920</b>
Universal Properties/Fuquay-Varina	\$48,256
UniHealth Post Acute Care – North Raleigh	\$48,138
UniHealth Post Acute Care – Cary	\$48,138
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$47,320
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$47,320
Liberty Healthcare	\$47,000
Liberty Healthcare	\$47,000
Liberty Healthcare	\$47,000
E.N.W, LLC	\$47,000
AH North Carolina Owner, LLC	\$45,488
Hillcrest Convalescent Center	\$39,808

2011 Wake County Nursing Facility Review  
Page 16

First Applicant	Aide
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$30,654
Liberty Healthcare	\$27,000
Liberty Healthcare	\$27,000
Liberty Healthcare	\$27,000
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$26,874
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$26,874
<b>Wake County H&amp;R Re, LP</b>	<b>\$25,350</b>
Universal Properties/Fuquay-Varina	\$25,175
E.N.W, LLC	\$25,000
UniHealth Post Acute Care – Raleigh	\$24,716
AH North Carolina Owner, LLC	\$24,619
UniHealth Post Acute Care – North Raleigh	\$23,054
UniHealth Post Acute Care – Cary	\$23,054
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$22,425
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$22,245
Hillcrest Convalescent Center	\$22,196

First Applicant	Director Nursing
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$99,009
UniHealth Post Acute Care – Raleigh	\$94,483
UniHealth Post Acute Care – Cary	\$90,311
UniHealth Post Acute Care – North Raleigh	\$90,311
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$89,933
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$89,933
AH North Carolina Owner, LLC	\$89,757
Universal Properties/Fuquay-Varina	\$89,627
Liberty Healthcare	\$85,234
Liberty Healthcare	\$85,234
Liberty Healthcare	\$85,234
E.N.W, LLC	\$85,000
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$83,000
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$83,000
<b>Wake County H&amp;R Re, LP</b>	<b>\$81,120</b>
Hillcrest Convalescent Center	\$74,991

First Applicant	Asst Director Nursing
UniHealth Post Acute Care – Raleigh	\$76,960
UniHealth Post Acute Care – Cary	\$70,000
UniHealth Post Acute Care – North Raleigh	\$70,000
Liberty Healthcare	\$70,000
Liberty Healthcare	\$70,000
Liberty Healthcare	\$70,000
E.N.W, LLC	\$70,000
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$69,618
Universal Properties/Fuquay-Varina	\$67,018
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$63,000
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$63,000
Hillcrest Convalescent Center	\$48,565
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	NA
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	NA
AH North Carolina Owner, LLC	NA
Wake County H&R Re, LP	NA

Nursing Hours per Patient Day

Those applicants highlighted in red in the following table were identified as applicants with direct costs greater than 25% of FFY 2010 Wake County average direct costs.

The following table illustrates the applicants' projected nursing hours per patient day (NHPPD) to be provided by direct care routine services staff (RNs, LPNs & Aides) in Project Year Two as reported in the table in Section VII.4 of the application and budgeted in the proformas.

First Applicant	Total Nursing Hrs/Pt
Liberty Healthcare	4.67
Liberty Healthcare	4.67
Liberty Healthcare	4.67
UniHealth Post Acute Care – North Raleigh	4.30
UniHealth Post Acute Care – Raleigh	4.25
E.N.W, LLC	4.22
UniHealth Post Acute Care – Cary	4.07
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	4.04
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	4.00
Hillcrest Convalescent Center	3.74
AH North Carolina Owner, LLC	3.65
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	3.64
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	3.64
<b>Wake County H&amp;R Re, LP</b>	<b>3.59</b>
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	3.10
Universal Properties/Fuquay-Varina	2.92

The following table illustrates the applicants' projected NHPPD to be provided by licensed direct care routine services staff (RNs & LPNs) in Project Year Two as reported in the table in Section VII.4 of the application and budgeted in the proformas.

First Applicant	RN/LPN Nursing Hrs/Pt
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	1.60
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	1.54
UniHealth Post Acute Care – North Raleigh	1.53
UniHealth Post Acute Care – Raleigh	1.50
E.N.W, LLC	1.43
Liberty Healthcare	1.43
Liberty Healthcare	1.43
Liberty Healthcare	1.43
AH North Carolina Owner, LLC	1.42
UniHealth Post Acute Care – Cary	1.41
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	1.30
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	1.30
<b>Wake County H&amp;R Re, LP</b>	<b>1.17</b>
Hillcrest Convalescent Center	1.09
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	0.95
Universal Properties/Fuquay-Varina	0.89



**Construction Cost**

First Applicant	New Beds	Total Capital Cost	Total Cost per Bed	Percent Above or Below Average	Construction Cost	Construction Cost per Bed	Percent Above or Below Average
AH North Carolina Owner, LLC	90	\$20,961,007	\$232,900	110.1%	\$16,752,498	\$186,139	157.1%
Hillcrest Convalescent Center	120	\$17,916,708	\$149,306	34.7%	\$11,508,707	\$95,906	32.5%
Liberty Healthcare	130	\$15,667,836	\$120,522	8.7%	\$9,046,046	\$69,585	-3.9%
Liberty Healthcare	120	\$14,719,180	\$122,660	10.7%	\$9,554,230	\$79,619	10.0%
Liberty Healthcare	130	\$13,850,714	\$106,544	-3.9%	\$9,046,046	\$69,585	-3.9%
<b>Wake County H&amp;R Re, LP</b>	<b>120</b>	<b>\$13,650,000</b>	<b>\$113,750</b>	<b>2.6%</b>	<b>\$7,008,430</b>	<b>\$58,404</b>	<b>-19.3%</b>
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	120	\$11,360,686	\$94,672	-14.6%	\$6,912,436	\$57,604	-20.4%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	120	\$11,335,022	\$94,459	-14.8%	\$7,592,940	\$63,275	-12.6%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	120	\$10,933,149	\$91,110	-17.8%	\$7,303,440	\$60,862	-15.9%
UniHealth Post Acute Care – North Raleigh	120	\$10,604,159	\$88,368	-20.3%	\$6,597,828	\$54,982	-24.1%
UniHealth Post Acute Care – Cary	100	\$9,713,726	\$97,137	-12.4%	\$5,937,316	\$59,373	-18.0%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	100	\$9,035,239	\$90,352	-18.5%	\$6,535,584	\$65,356	-9.7%
E.N.W, LLC	100	\$8,534,150	\$85,342	-23.0%	\$5,764,400	\$57,644	-20.4%
Universal Properties/Fuquay-Varina	60	\$3,541,100	\$59,018	-46.8%	\$2,657,000	\$44,283	-38.8%
Average New Facility Beds	1550	\$171,822,676	\$110,853		\$112,216,901	\$72,398	
UniHealth Post Acute Care – Raleigh	20	\$2,173,393	\$108,670		\$1,459,622	\$72,981	
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	20	\$1,490,200	\$74,510		\$1,057,200	\$52,860	

### Competition and Duplication of Services

First Applicant	Wake County Related Entity	Wake County Related Entity FFY 2010 Occupancy
Hillcrest Convalescent Center	N/A	N/A
Wake County H&R Re, LP	N/A	N/A
AH North Carolina Owner, LLC	N/A	N/A
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	Britthaven of Holly Springs	under development
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	Universal Properties/FV	no occupancy in FFY 2010
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	Britthaven of Holly Springs	under development
UniHealth Post Acute Care – Raleigh	<ul style="list-style-type: none"> <li>UniHealth Post Acute Care - Raleigh</li> <li>Oaks at Mayview</li> </ul>	<ul style="list-style-type: none"> <li>UniHealth Post Acute Care - Raleigh - 93.4%</li> <li>Oaks at Mayview - 87.9%</li> </ul>
UniHealth Post Acute Care – Cary	<ul style="list-style-type: none"> <li>UniHealth Post Acute Care - Raleigh</li> <li>Oaks at Mayview</li> </ul>	<ul style="list-style-type: none"> <li>UniHealth Post Acute Care - Raleigh - 93.4%</li> <li>Oaks at Mayview - 87.9%</li> </ul>
Universal Properties/Fuquay-Varina	Universal Properties/North Raleigh	93.1%
UniHealth Post Acute Care – North Raleigh	<ul style="list-style-type: none"> <li>UniHealth Post Acute Care - Raleigh</li> <li>Oaks at Mayview</li> </ul>	<ul style="list-style-type: none"> <li>UniHealth Post Acute Care - Raleigh - 93.4%</li> <li>Oaks at Mayview - 87.9%</li> </ul>
Liberty Healthcare	Capital Nursing	84.3%
Liberty Healthcare	Capital Nursing	84.3%
Liberty Healthcare	Capital Nursing	84.3%
E.N.W, LLC	<ul style="list-style-type: none"> <li>Hillside Wake Forest</li> <li>Windsor Point CCRC Fuquay-Varina</li> </ul>	<ul style="list-style-type: none"> <li>Hillside - 93.4%</li> <li>Windsor Point - 72.7%</li> </ul>
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	Blue Ridge	86.2%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	Blue Ridge	86.2%

### Community Contacts and Letters of Support for Wake County Health and Rehabilitation

During the preparation of the **Wake County Health and Rehabilitation CON** Application, representatives visited the area on several occasions and met with community representatives and local agencies and providers. Numerous other agencies and providers were contacted via telephone, email, and letter, to include:

- Earl C. Parker, President, Elms Group Senior Living,
- Bob Ricker, Associate VP of Suburban Services, Rex Healthcare,
- William Pittman, Director Strategic Planning and Business Development, Rex Healthcare
- Tammie Stanton, Vice President Post Acute Services, UNC Health Care
- Bill Sears, President, Searstone Retirement Community
- Ms. Jean, RN, Capital Internal Medicine
- Jason Proctor, President, Franklin Regional Medical Center
- M. Bold, RN, Raleigh Geriatrics
- Talie Madans, Community Manager, Carolina Preserve
- Sanford Jordan, Vice President, Cary Economic Development
- Howard S. Johnson, President, Cary Chamber of Commerce
- Jennifer Robinson, Cary Town Council Member

- Alice W. Watkins, Executive Director, Alzheimers North Carolina
- Gail Holden, Director of Senior Services, Wake County Human Services
- Greg Griggs, Executive Vice President, NC Academy of Family Physicians
- Jody Morris, VP and COO, Novant Health Triangle Market
- Martin Janis, MD, Raleigh Geriatrics
- Dr. Helen Ayres, Program Director, Durham Technical Community College
- Dianne Hinson, Dean, Wake Technical Community College.

Efforts to involve the local community included personal visits, telephone calls, email correspondence, and written correspondence with representatives of the community. Local community contacts included:

- Physicians
- Adult care homes
- Nursing facilities
- Hospitals
- Wake County Human Services
- Real estate brokers and land owners
- Cary Chamber of Commerce
- Professional training facilities.

Contact was made with Wake County and Town of Cary representatives on numerous occasions from March 2011 through July 2011. Representatives of **WCHR** met with a variety of persons regarding the proposed project.