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October 1, 2013

Mr. Craig Smith, Section Chief
Greg DePorter, Project Analyst
Certificate of Need Section
Division of Health Service Regulation
NC Department of Health and Human Services
809 Ruggles Drive
Raleigh, North Carolina 27603

Re: Comments on Competing Applications for a Certificate of Need for a new 90-bed Nursing Facility in Chatham County, Health Service Area IV; CON Project ID Numbers:

J-010167-13, Kensington Rehab and Nursing Center (Kensington)
J-010168-13, Chatham County Rehabilitation Center
J-010169-13, Chatham Health and Rehabilitation Center, and
J-010170-13, UNC Hospitals Nursing Care and Rehabilitation Center (UNC)

Dear Mr. DePorter and Mr. Smith:

On behalf of PruittHealth-Chatham, Project ID J-01071-13, thank you for the opportunity to comment on the above referenced applications for development of nursing facility beds in Chatham County. During your review of the projects, I trust that you will consider comments presented herein in making your decision.

We recognize that the State's Certificate of Need (CON) award for the proposed nursing facility beds will be based upon the State's CON health planning objectives, as outlined in G.S. 131E-183. Specifically, we request that the CON Section give careful consideration to the extent to which each applicant:

- Effectively conforms to Policy GEN-3 –Basic Principals;
- Demonstrates immediate and long-term financial feasibility;
- Provides evidence that quality care has been provided in the past;
- Demonstrates the need its service area population has for nursing facility services;
- Demonstrates the needs of populations currently being served will adequately be met;
- Demonstrates the availability of adequate staff to provide all proposed services;
- Demonstrates ability to provide all necessary ancillary and support services;
- Demonstrates a cost effective alternative;

- Effectively conforms to Policy GEN-4 –Energy Efficiency and Sustainability; and
- Demonstrates the sustainability of a durable long-term investment.

PruittHealth-Chatham's application best meets all of the above-referenced planning objectives. The PruittHealth-Chatham application also meets all of the statutory review criteria and is by far the most effective application when compared to the other applicants using the comparative value metrics. PruittHealth-Chatham will:

- Promote the 2013 State Medical Facility Plan (SMFP) Basic Principals;
- Offer a facility that promotes a very high quality of resident life; and
- Bring the positive aspects of competition and increased consumer choice.

The following highlights the advantages of the PruittHealth-Chatham's application in the context of the Basic Principles of the 2013 State Medical Facilities Plan (2013 SMFP).

OVERVIEW

Over the past few decades, the steady growth of the proportion of the population aged 65 and older and the transformation of the health care industry have made post-acute care services provided in skilled nursing facilities an even more important part of health care delivery system. Marketplace leaders like United Health Services (UHS) must be able to:

- Manage care for patients who have a wide range of health conditions;
- Determine whether there is need for a transition of care services;
- Develop systems for determining the appropriate time and manner of transition;
- Reinforce the procedures that should be followed by the staff based on research and experience; and
- Deliver an appropriate range of services accessible for the identified population in a cost-effective manner.

PruittHealth-Chatham will have access to UHS's knowledge and experience in operating within the state and its long-term care community. Further, the PruittHealth application reflects the numerous mutually beneficial relationships with local providers of health and social services that UHS has formed during 20 years of service throughout the state. It represents the best that the industry offers in terms of quality, access, and value. PruittHealth-Chatham epitomizes a commitment to fulfilling the requirements of the 2013 SFMP.

Quality

Quality is integral to the UHS culture and this virtue will extend to the newest proposed facility, PruittHealth-Chatham. UHS facilities and agencies participate in multiple external benchmarking studies to stay on the forefront of the most innovative quality care practices in the industry. Multiple mechanisms are used for tracking quality indicators and monitoring facility performance. These proprietary benchmarking and feedback systems include:

- The ABAQIS;
- LTC TrendTracker;
- UHS-Pruitt Monthly Quality Indicator Reports; and
- *Pinnacle Quality Insight*;
- *My InnerView*.

These and other internal assessment tools are designed for use by program staff at all levels to seek continuous improvement in order to provide the best possible care to the resident. Everyone within the facility is encouraged to be involved in the process, by serving on a committee, serving on quality action teams or problem solving groups, and/or being involved in the implementation of the tools or action plan. Reports are provided at the resident level and flow up to facility and regional administrators as UHS-Pruitt staff use the reports to find ways to improve on service delivery.

Among the five applications, PruittHealth-Chatham is the only one that demonstrates investments in multiple supplemental standardized national benchmarking for clinical outcomes. Please see Table 1. The PruittHealth-Chatham application demonstrates in its financial pro forma that it can sustain an investment in two external benchmarking services and meet access targets for underserved groups. None of the other applications even come close to PruittHealth-Chatham's commitment to providing quality services.

Table 1 - National Benchmarking Tools Used to Measure Clinical Outcomes

| Applicant | Clinical Benchmark System | |
|--|---------------------------|-------------------|
| | ABAQIS | LTC Trend Tracker |
| Chatham County Rehabilitation Center | X | |
| Chatham Health and Rehabilitation Center | | |
| Kensington Rehab and Nursing Center | | |
| UNC Hospitals Nursing Care and Rehabilitation Center | | |
| PruittHealth - Chatham | X | X |

*As noted in the application, costs of these services are provided as part of the fee to UHS-Pruitt Corporation for management-related services.

UHS-Pruitt has also developed specialized Care Transitions and Clinical Pathways for patients with chronic illness. The Care Transitions program addresses continuity of care problems that contribute to readmissions. The Care Transitions program includes: medication management, a patient centered health record, care paths for timely primary and specialty care follow up and staff training to understand changes that indicate deterioration in a patient's health condition. The Clinical Pathways programs focus on treating a patient's primary diagnosis while continuing to monitor and care for the client's overall well-being. These programs change with the patients' needs and are linked between the different UHS service delivery lines.

External benchmarking and quality programming are only one part of PruittHealth-Chatham's quality commitment. PruittHealth-Chatham proposes the highest number of licensed nursing hours per patient day and the highest percentage of Registered Nurses (RN) and Licensed Practical Nurses (LPN) per bed in this review batch. Please see Table 2. A higher RN/LPN ratio ensures that certified nurses will have capacity to provide more training to Certified Nursing Assistants (CNA) and have more time for monitoring service protocols. Further, PruittHealth-Chatham proposes the second highest number of total nursing hours per patient day in this review batch. Both of the aforementioned nursing ratios, appropriated for in such high amounts, will reduce risk of service errors and improve care at PruittHealth-Chatham.¹

Table 2 – Licensed Nursing Hours per Patient Day and Licensed Nursing Hours per Bed in Year 2

| Applicant | Licensed Nursing Hours per Patient Day (RN+LPN/PPD) | RN + LPN per Bed |
|--|---|------------------|
| Chatham County Rehabilitation Center | 1.41 | 0.23 |
| Chatham Health and Rehabilitation Center | 1.06 | 0.17 |
| Kensington Rehab and Nursing Center | 1.44 | 0.24 |
| UNC Hospitals Nursing Care and Rehabilitation Center | 1.46 | 0.22 |
| PruittHealth - Chatham | 1.71 | 0.26 |

PruittHealth-Chatham also provides the highest salaries for many caregiver positions in this review batch. PruittHealth-Chatham has the highest salaries for: RNs, LPNs, CNAs, the Director of Nursing (DON) and the Assistant Director of Nursing (ADON). Please see Table 3. Better salaries have been strongly correlated with lower turnover and higher employee satisfaction, factors associated with higher quality of care¹.

¹ Susan D. Horn PhD, Peter Buerhaus PhD, RN, Nancy Bergstrom PhD, RN, Randall J. Smout MSRN Staffing Time and Outcomes of Long-Stay Nursing Home Residents *AJN, American Journal of Nursing*, November 2005, Volume 105 Number 11 Pages 58 – 70

Table 3 – Nursing Salaries in Year 2

| Applicant | RN | LPN | Aide salary | DON | ADON |
|--|-----------------|-----------------|--------------------|-----------------|-----------------|
| Chatham County Rehabilitation Center | \$62,358 | \$53,102 | \$27,027 | \$90,247 | N/A |
| Chatham Health and Rehabilitation Center | \$65,503 | \$46,327 | \$26,291 | \$90,181 | \$59,598 |
| Kensington Rehab and Nursing Center | \$60,000 | \$50,000 | \$25,500 | \$87,000 | \$70,000 |
| UNC Hospitals Nursing Care and Rehabilitation Center | \$53,922 | \$47,059 | \$24,471 | \$75,000 | \$55,101 |
| PruittHealth - Chatham | \$69,411 | \$55,167 | \$27,198 | \$96,527 | \$76,143 |

Access

The Certificate of Need Section recognizes economic barriers associated with accessing nursing facility care as disproportionately experienced by three groups- persons covered by Medicaid, private pay persons with limited financial resources, and persons covered by Medicare. PruittHealth Chatham’s application will exceed the county average for Medicaid access, have the lowest private pay charges, and have the highest Medicare access.

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PruittHealth-Chatham projects that 69.8% of its patients will be Medicaid (Medicaid days as a percentage of total days), which is above the Agency’s standard. The Chatham County average for all skilled nursing providers for Medicaid days as a percentage of total days in 2012 was 57.38% (from 2013 License Renewal Applications). The North Carolina state average, based on 2011 Medicaid cost report data, was 67 percent.

PruittHealth –Chatham will have the lowest private pay charge for a private room and the lowest private pay charge for a semi-private room for this review batch, making the facility’s services more accessible to private pay payors. Please see Table 4. In addition to contributing to access, PruittHealth-Chatham’s usual and customary charge per day in combination with the aforementioned quality mechanisms that it will implement, is an indicator of the value that PruittHealth-Chatham will bring to the residents of Chatham County and the surrounding area.

Table 4- Private Pay Charges in Year 2 by Applicant

| Applicant | Private Pay Charge- Private Room | Private Pay Charge – Semi-private Room |
|--|----------------------------------|--|
| Chatham County Rehabilitation Center | \$213.50 | \$196.00 |
| Chatham Health and Rehabilitation Center | \$220.00 | \$195.00 |
| Kensington Rehab and Nursing Center | \$205.00 | \$195.00 |
| UNC Hospitals Nursing Care and Rehabilitation Center | \$219.91 | \$201.88 |
| PruittHealth – Chatham | \$173.36 | \$168.68 |

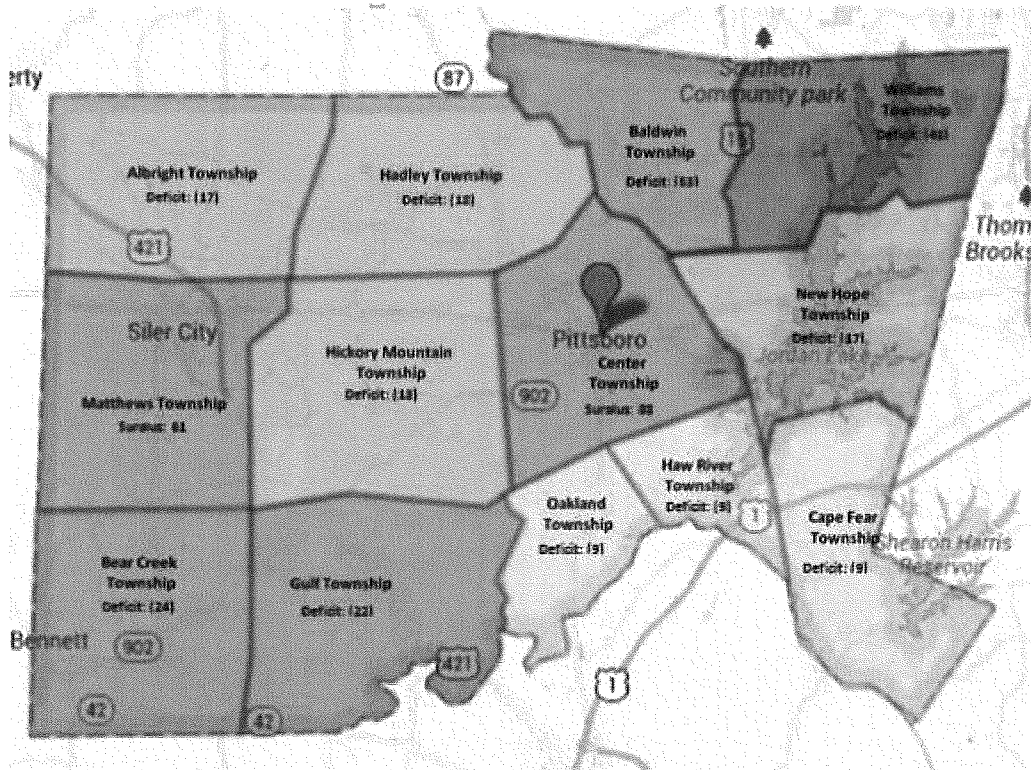
PruittHealth-Chatham will also have highest percentage of Medicare Access (Medicare days as a percentage of total days) among the applicants.

Table 5 - Medicare Access in Year 2 by Applicant

| Applicant | Medicare Access |
|--|-----------------|
| Chatham County Rehabilitation Center | 16.76% |
| Chatham Health and Rehabilitation Center | 15.66% |
| Kensington Rehab and Nursing Center | 18.0% |
| UNC Hospitals Nursing Care and Rehabilitation Center | 14.33% |
| PruittHealth – Chatham | 22.1% |

The access component entails geographic location in addition to economic issues. PruittHealth-Chatham will be located the center of the county, in the city of Pittsboro, allowing access for individuals residing throughout the county. Analysis of nursing home bed need by township demonstrates that multiple geographic areas throughout the county have a deficit of nursing home beds. This spread of need throughout the county suggests that a new provider should be located in a central area of the county in order to promote equal accessibility for all residents. In its application, PruittHealth-Chatham demonstrated that the northern half of Chatham County, the contiguous townships of Albright, Hadley, Baldwin, Williams, and New Hope, collectively have the greatest need for additional nursing home beds. However, need is not concentrated in the northern half of Chatham County. The townships in the southern half of Chatham County also have significant need (Bear Creek, Gulf, Haw River, and Cape Fear). Therefore, a central location in Pittsboro provides the best access to all portions of the county.

Map 1: Projected Chatham County Need by Township



Surveys and conversations with Chatham County healthcare providers, coordinators, and advocates confirmed the need for additional nursing home beds in a central location of the county so that the beds would be highly accessible to all residents of the county. Additional information on need by township can be found in Section III and in Exhibits 57 and 70 of the PruittHealth-Chatham application.

The Agency also has the distinction of selecting a provider that will be able to fill service gaps in this large and diverse county. Over the past few decades, nursing care facilities have evolved from being providers of custodial nursing care for persons with chronic disease to organizations with the capacity to treat a combination of extended stay rehabilitation and chronic disease care management. Rule changes have also moved more cardiac, cancer and pulmonary patients into skilled nursing facilities and these facilities must have well defined service programs to accommodate today's residents. PruittHealth-Chatham's application is well balanced, providing documentation of how it will offer these important services at the highest value. The application also documents how increased accessibility will be achieved for individuals whose care is paid by Medicaid. Table 6 highlights the service programs proposed by each applicant in this review batch.

Table 6 – Chronic Disease Service Mix Comparison by Applicant

| Applicant | Respiratory Care | Trach. | Pain Mngmt. | Diabetes Care | Heart Disease | Cardiac Care | Stroke Care | TPN | Total |
|--|------------------|--------|-------------|---------------|---------------|--------------|-------------|-----|-------|
| Chatham County Rehabilitation Center | X | | | | | | | | 1 |
| Chatham Health and Rehabilitation Center | | | | | | | | | 0 |
| Kensington Rehab and Nursing Center | | | | | | | | | 0 |
| UNC Hospitals Nursing Care and Rehabilitation Center | | X | | | | | | | 1 |
| PruittHealth-Chatham | X | X | X | X | X | X | X | X | 8 |

Value

In the past, the Agency has recognized that measuring a skilled nursing facility’s usual and customary charges per day is one indicator of value. PruittHealth-Chatham will have the lowest private pay charge for a private room and the lowest private pay charge for a semi-private room in this review batch and will thereby bring great value to the residents of its facility. Please see Table 4 for a listing of proposed charges by applicant.

PruittHealth-Chatham proposes to have the highest percentage of private rooms (64%) of all the applicants in this review batch. The high percentage of private rooms is a direct result of UHS’s goal to create a facility that provides a more home-like setting. Many elderly value the greater sense of control over their environment that a private room provides. Evidence-based research also shows that patient placement, personal privacy and infection control are more effectively delivered in private rooms.² In fact, guidelines for the control of MRSA, influenza, and other infections strongly encourage placing patients with these diseases in private rooms. These benefits, as well as many others, are appealing to referral providers and those who love their privacy and prefer living similar to how they lived when at home⁴. Table 7 lists each applicant’s percentage of private and semi-private beds.

² Margaret Calkins, PhD and Christine Cassella. *Exploring the Cost and Value of Private Versus Shared Bedrooms in Nursing Homes*. June 2007. The Ideas Institute.org online. www.ideasinstitute.org/media/Gerontologist_Bedroom_paper.pdf. Accessed September 28, 2011.

Table 7 – Percent of Private Beds by Applicant

| Applicant | Number of Private Beds | Number of Semi-Private Beds | Total Number of Beds | Percent of Private Beds | % of Semi-Private Beds |
|--|------------------------|-----------------------------|----------------------|-------------------------|------------------------|
| Chatham County Rehabilitation Center | 46 | 44 | 90 | 51% | 49% |
| Chatham Health and Rehabilitation Center | 34 | 56 | 90 | 38% | 62% |
| Kensington Rehab and Nursing Center | 46 | 44 | 90 | 51% | 49% |
| UNC Hospitals Nursing Care and Rehabilitation Center | 46 | 44 | 90 | 51% | 49% |
| PruittHealth-Chatham | 58 | 32 | 90 | 64% | 36% |

Special Care Units

People who have Alzheimer’s and related dementia are a growing segment of the nursing home population. They require extra care and special programming and serving them is often more expensive. PruittHealth-Chatham considered adding a licensed specialized unit but elected not to do so. UHS believes that Chatham County’s need for specialized unit services for people who have Alzheimer’s / dementia is being addressed by existing facilities in Chatham County and will be addressed further by other facilities currently under construction (Coventry House of Siler City was recently awarded a Certificate of Need to operate a 20-bed special care Alzheimer’s unit in an adult care home expansion). Additionally, it should be noted that the North Carolina General Assembly passed and ratified into law on July 26, 2013, a three-year moratorium on the licensing new special care units. The moratorium bars the Division of Health Services Regulation from issuing any new licenses for special care units until July 1, 2016.³ Therefore, it would be impossible for any applicant in this review batch to complete such a unit.

PruittHealth-Chatham proposes the most flexible response for all nursing home residents in this review batch, including persons with dementia. PruittHealth-Chatham proposes to provide specialized care and appropriate programs tailored to the specific needs of memory impaired residents. PruittHealth-Chatham will provide a specialized program of care for Alzheimer’s / dementia residents and all other residents that clinically qualify. All staff members will receive Alzheimer’s and dementia-specific behavioral orientation and staff training for care issues presented by Alzheimer’s disease and dementia. Staff orientation will include training regarding all aspects of Alzheimer’s disease and the special needs of residents with the disease. Characteristics of the program are discussed in Section II.3.

PruittHealth-Chatham believes that the existing combination of new nursing home beds and adult care home beds dedicated to treating Alzheimer’s/dementia patients in Chatham County facilities and UHS’s own internal training programs will adequately address the needs of Chatham County residents. A specialized unit in the proposed nursing home is not needed. PruittHealth-Chatham can address the needs of Alzheimer’s / dementia patients with its comprehensive Alzheimer’s and dementia care program, without compromising its capacity to care for residents with other problems.

³ <http://www.ncga.state.nc.us/Sessions/2013/Bills/Senate/PDF/S402v7.pdf> (pg 159)

UNC's application includes a 10-bed ventilator unit. Utilization data provided by UNC does not justify the need for a ventilator unit in Chatham County, much less the inclusion of a unit this large. PruittHealth – Chatham does not propose to provide ventilation treatments. However, sister UHS facilities in surrounding counties have been able to accommodate ventilator and tracheostomy requirements of residents on an as-needed basis. Additionally, recent research tends to indicate ventilator therapy utilization rates are on the decline, in favor of tracheostomy therapies, with reduced weaning durations. The rise of portable home ventilators and new practices in weaning of patients from ventilator use has resulted in fewer patients who are clinically eligible for skilled nursing facility services to be dependent on ventilators. Ventilator usage has decreased dramatically. (Please see Exhibit 68 of the application for additional information).

REVIEW OF COMPARATIVE METRICS

In the 2011 Wake County skilled nursing facility agency findings, the Project Analyst conducted a comparative analysis of the competing proposals in order to decide which proposal provided the most value for the residents of Wake County. A similar review of metrics used in the Wake County decision demonstrates that PruittHealth-Chatham excels in many of the metrics considered relevant to value. The factors considered in the most recent nursing home decision include: Geographic distribution, percent private rooms, Medicaid access, private pay charge for a private room, private pay charge for a semi-private room, average operating cost per diem, RN salary, LPN salary, CNA salary, DON salary, ADON salary, taxes and benefits, NHPPD, and Licensed NHPPD. As one can see from Table 8, PruittHealth-Chatham excels in many of these factors.

Table 8 – Comparative Metrics Rankings

| Metric | Chatham County Rehab Center | Chatham Health and Rehab Center | Kensington Rehab and Nursing Center | UNC Hospitals Nursing Care and Rehab Center | PruittHealth-Chatham |
|---|-----------------------------|---------------------------------|-------------------------------------|---|----------------------|
| Percentage of Private Rooms | 2 | 5 | 2 | 2 | 1 |
| Medicaid Access | 3 | 1 | 4 | 2 | 5 |
| Medicare Access | 3 | 4 | 2 | 5 | 1 |
| Private Pay Room Charge | 3 | 5 | 2 | 4 | 1 |
| Semi-Private Room Charge | 4 | 2 | 2 | 5 | 1 |
| Total Direct Cost (less ancillary plus indirect cost per patient day) | 1 | 3 | 2 | 5 | 4 |
| RN Salary | 3 | 2 | 4 | 5 | 1 |
| LPN Salary | 2 | 5 | 3 | 4 | 1 |
| Nurse Aide Salary | 2 | 3 | 4 | 5 | 1 |
| DON Salary | 2 | 3 | 4 | 5 | 1 |
| ADON Salary | | 4 | 2 | 3 | 1 |
| Total NHPPD | 3 | 5 | 1 | 4 | 2 |
| Licensed NHPPD | 4 | 5 | 3 | 2 | 1 |
| Taxes and Benefits | 3 | 5 | 4 | 1 | 2 |
| Total Number 1 Rankings | 1 | 1 | 1 | 1 | 10 |
| Average Rank | 2.69 | 3.71 | 2.79 | 3.71 | 1.64 |

**Please note that all metrics presented are in reference to each applicant's second project year.*

ISSUES WITH COMPETING APPLICATIONS

Below is a list of issues with competing applications in this review batch. A discussion of each in greater detail can be found in the review of each applicant provided as an attachment to this document.

- UNC included a 10-bed ventilator unit, but failed to staff the ventilator unit according to licensure code. UNC's financial and operational projections are therefore invalid. The applicant also failed to demonstrate need for a ventilator of unit, only providing occupancy rates, and does not justify how it will benefit the citizens of Chatham County. UNC's application reflects an application developed to address the internal needs of the applicant, not the needs of residents of Chatham County.
- Chatham County Rehabilitation Center included a 20-bed licensed special care unit as part of its application. The moratorium will prevent the state from licensing this unit before January 2016. Because the moratorium was effective prior to submission of the application, the Agency has no assurance that it will be lifted after January 2016 and the unit is therefore not approvable. Without the licensed special care unit, it is unclear if the Chatham County Rehabilitation Center's proposal is financially feasible. Furthermore, Chatham County Rehabilitation Center failed to report numerous quality concerns in multiple facilities owned by the applicant and/ or parent company. This application neither demonstrates that Chatham County Rehabilitation Center will provide quality services to the citizens of Chatham County nor demonstrate that the operators of Chatham County Rehabilitation Center have provided quality services to North Carolinians in the past.
- Chatham Health and Rehabilitation provides an application that includes the lowest salaries, lowest nursing hours per patient day, and lowest percent of private rooms. It fails to meet the community standards of care. Approval of this application would provide residents of Chatham County with a low value proposition
- Kensington is competitively superior in only one comparative metric. On the whole, it too offers lower long-term value. The parent company lacks the resources in research, telehealth, care transitions, and staff training that will be available to PruittHealth-Chatham.

CONCLUSION

As one can see from the information provided earlier, Pruitt-Health Chatham's application best meets all of the state of North Carolina's planning objectives. The Pruitt-Health application also meets all of the statutory review criteria and is by far the most effective application when compared to other applications using the comparative metrics. As such, the other applications in this review batch offer less desirable alternatives, fall short of meeting the State of North Carolina's objectives for the provision of high value health care, and/ or fall short of conforming to all the CON Section's Review Criteria. In summary, the application submitted by the PruittHealth-Chatham is competitively superior to the other applications in this review batch. The PruittHealth-Chatham application:

- Brings value in an appropriate balance of access, quality and cost;
- Proposes needed services in appropriate locations for Chatham County residents;
- Expands access to Medicaid, Medicare, Hospice, and Veterans Administration beneficiaries;
- Offers the highest percentage of private rooms;
- Offers the highest Licensed (RN+LPN) NHPPD;
- Offers the highest benefits as a percentage of salary;
- Offers the highest investment in resident care at a low charge; and
- Offer management services with a proven quality track record.

Attached is an analysis of each competing application. Each application is discussed within the framework of the State's CON Review Criteria and applicable nursing care facility services rules (10A NCAC 14C. 1100). In each analysis, we have addressed only those criteria for which we believe the information provided is non-conforming. Please feel free to call me if you have any questions.

Sincerely,



Aneel Gill, MBA/MHA
Health and Financial Planning Manager
UHS-Pruitt Corporation
678-533-6699

Attachment(s)

ATTACHMENTS

Individual Comments on UNC Hospitals Nursing Care and Rehabilitation Center, (UNC)
Project ID# J-010170-13A

Individual Comments on Chatham County Rehabilitation Center, (Liberty Healthcare)
Project ID# J-010168-13B

Individual Comments on Kensington Rehab and Nursing Center,
Project ID# J-010167-13C

Individual Comments on Chatham Health and Rehabilitation Center,
Project ID# J-010169-13D

2013 Skilled Nursing Facility Comparative Factors E

Chatham County Skilled Nursing Facilities, Patient Origin F

Conversations LogsG

Attachment A

**COMPETITIVE REVIEW OF –
UNC HOSPITALS NURSING CARE AND REHAB CENTER
PROJECT ID# J-010170-13**

OVERVIEW

UNC Hospitals Nursing Care and Rehab Center's (UNC) application proposes to develop a new 90-bed skilled nursing facility including a 10-bed ventilator unit in Pittsboro, NC. Analysis of the UNC application illustrates a proposal that fails to address the needs of Chatham County residents as determined by the *2013 State Medical Facilities Plan (SMFP)*. UNC has developed an application to only address its own internal needs, not the needs of residents of Chatham County.

This application falls short of addressing the 90-bed skilled nursing bed need as identified. UNC's application DOES NOT:

- Justify why the majority of patients in its service area come from counties with little or no need. Less than half of the expected residents (48 percent or 41 beds) in this proposal will originate from Chatham County. The service area UNC will draw its patients from includes counties with no need, according to the *2013 SMFP*;
- Demonstrate how it will coordinate services with facilities outside of the UNC system. The UNC application does not indicate any intent to work with other local area providers,
- Adequately exhibit the availability of ancillary and support staff;
- Include the number of staff needed for a 10-bed ventilator unit as required by *administrative* code; and
- Establish the need for a 10-bed ventilator unit. The application merely provides occupancy rates for ventilator units for existing facilities, but does not prove that a new ventilator unit is needed. Published occupancy rates are not sufficient for proving need skilled nursing facility beds; one must provide use rates against population to prove such a need.

UNC has developed an application that does not justify why parts of its proposal are needed in Chatham County nor does it address the needs of the community. This application, therefore, fails to meet the need identified in Chatham County. As we will discuss throughout this document, the application is non-conforming with Review Criterion (1), (3), (4), (5), (6), (7), (8), (9), (13c), (18a), and (20); as well as Criteria and Standards 10A NCAC 14C .1101: Information Required of Applicant.

CON REVIEW CRITERIA

- 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, ambulatory surgery operating rooms, or home health offices that may be approved.**

Safety and Quality

Safety and quality cannot be assumed because the applicant fails to adequately demonstrate the availability of health manpower and necessary ancillary and support staff. The applicant only assumes that staff will be available. Please see discussion in Criterion (7) and (8).

UNC's proposal has the lowest proposed salaries for the Director of Nursing (DON), RNs, and Certified Nurse Assistants (CNAs). Better salaries and benefits have been strongly correlated with lower turnover and higher employee satisfaction, factors associated with quality of care. The applicant also has the second lowest nursing hours per patient day (NHPPD) at 3.71. The low salaries and low staffing ratio could become problematic in light of the rich program the application proposes.

The UNC application has failed to staff the ventilator unit according to administrative code, jeopardizing the safety of patients in this unit. Please see the discussion in Criterion (5).

Access

UNC's proposal does not expand geographical access to nursing care facility services to the residents of Chatham County, the population most in need of skilled nursing services. Only 48 percent (41 patients) of the proposed skilled nursing facility's patients will originate from Chatham County. Further, less than half the beds in the facility are expected to serve Chatham County residents despite a high amount of demonstrated need within the county.

The majority (52 percent) of the residents at UNC proposed skilled nursing facility are expected to come from outside of the county. These aforementioned counties have little or no demonstrated need according to the *2013 SMFP*. The applicant does not justify why it included patients from these counties in its service area. Please see the discussion in Criterion (3).

Value

At \$201.88, UNC proposes the highest semi-private room charges in this review batch. Further, UNC's proposed charges for private pay patients for a private room (\$219.91) are the second highest in this review batch. UNC also has the second lowest NHPPD (3.71) among all of the applicants. Taking this all into account, the applicant fails to demonstrate the services provided will be of value to Chatham County residents.

The applicant fails to demonstrate the need for a 10-bed ventilator unit for the residents of Chatham County. Please see the discussion in Criterion (4).

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.**

Need for the proposed project

Review Criterion (3) specifically states that an applicant "...shall demonstrate the need that [the] population has for the services proposed." UNC fails to demonstrate need for a large portion of its proposed service area. The applicant does not describe the unmet need that necessitated the inclusion of each of the counties included in its service area. Section III.9.(a) specifically instructs applicants to "describe the unmet need that necessitated the inclusion of each of the proposed project components....as set forth in the description of the scope of services in Section II.2 and II.3."

The applicant fails to adequately address the needs of Chatham County residents despite illustrated need as determined by the 2013 SMFP. Chatham County residents will only account for 48 percent (41 beds) of the applicant's proposed 90 beds.

UNC provides no data to support its patient origin assumptions. The application proposes that non-Chatham County residents will represent more than half (52 percent) of the proposed admissions. On page 94, the application provides patient origin from 34 counties. The assumption to support the patient origin on page 95 cites 2013 Chatham County nursing home license renewal applications. However, the 2013 nursing home license renewal applications (LRAs) from Chatham County do not fully support their assumption.

UNC states that 48 percent of the admissions will originate from Chatham County. However, UNC includes the two CCRCs in its calculation of the patient origin. As noted on page 58 of their application, the two CCRCs do not provide public access. Therefore, it is more appropriate to consider the patient origin of patients only from the skilled nursing facilities. According to the 2013 Nursing Facility LRAs for the two skilled nursing facilities, Chatham County residents represented 58 percent of admissions (Attachment F).

Moreover, Table 10B of the 2013 SMFP (pages 234-235) projects no need for many of the counties listed in the proposed patient origin. Table 2 shows that seven of the counties listed in the quantified UNC service area have a forecast surplus of 301 beds (221+90) in 2016. Data highlighted in red in the table represent places where the application proposes to either over- or under-address need.

**Table 2 – Comparison of UNC Patient Origin to
2013 SMFP Table 10B Nursing Home Bed Need Projections for 2016**

| County | Percent of Total NF Admissions | Year 2 Occupancy Projection | Bed Need Table 10B (a) | Under (+) or Over (-) Need |
|-----------------|--------------------------------|-----------------------------|------------------------|----------------------------|
| A | B | C | D | E |
| Chatham | 48.0% | 41.3 | 90 | 48.7 |
| Orange | 13.5% | 11.6 | 17 | 5.3 |
| Wake | 11.2% | 9.6 | 565 | 555.3 |
| Durham | 5.7% | 4.9 | -277 | -281.9 |
| Lee | 4.7% | 4.0 | -42 | -46.04 |
| Randolph | 2.3% | 2.0 | -97 | -98.9 |
| Alamance | 1.6% | 1.4 | -114 | -115.3 |
| Moore | 0.7% | 0.6 | -17 | -17.6 |
| Guilford | 0.6% | 0.5 | -330 | -330.5 |
| Harnett | 0.5% | 0.4 | -16 | -16.4 |
| Subtotal | 88.8% | 76.4 | -221 | -297.4 |
| Other(b) | 11.2% | 9.6 | -709 | -718.6 |
| Total | 100.00% | 86.04 | -1151 | -1237 |

Source: (UNC application, page 94 and the 2013 SMFP, pages 234-235).

Notes:

(a) Need represented by positive number

(b) Other includes Bladen, Buncombe, Carteret, Craven, Cumberland, Dare, Duplin, Forsyth, Franklin, Granville, Henderson, Hoke, Johnston, Lenoir, Madison, Mecklenburg, Onslow, Richmond, Robeson, Sampson, Vance, Watauga, Wilson and Yancey counties, as well as other states.

Column (A) and Column (B) can be found on page 94 of the UNC application

Column (C) Equals 90 beds * Column (B) * 95.6% (year 2 occupancy projections found in Table IV.2, page 98 of the UNC application)

Column (D) is the Surplus/"-"= Deficit column of 2013 SMFP Table 10B (pages 234-235)

Column (E) equals Column (D) – Column (C)

The applicant is non-conforming to Criterion (3). UNC fails to address adequately the needs of Chatham County residents. UNC fails to demonstrate the need that the population it has chosen to serve has need for the services proposed. UNC does not explain why patients from counties with no need will choose to use their proposed facility in Chatham County.

Please see Review Criterion (5) for further discussion on the ventilator unit.

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.

UNC fails to demonstrate that it will effectively meet the need with its proposed project. Therefore, it is not possible to demonstrate if a least costly or more effective alternative is available. Therefore, the applicant is non-conforming to Criterion (4).

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.**

Financial Projections

Two applicants are listed on the UNC application, University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) and Chatham Park Investors, LLC (CPI). Section 10, Question 8 of the application requires that all applicants complete Form B and Form C for each of the first two full fiscal years of operation. Copies of Form B and Form C are not included for both applicants.

CPI will lease the proposed 90-bed facility to UNC Hospitals as the licensed operator. Therefore, the Form B and Form C included in the application are those of the operator, UNC Hospitals. The application should include copies of Form B and Form C for CPI as well as UNC. It does not. Therefore, UNC's application is non-conforming to Criterion (5).

SanStone is designated to provide management services for the proposed facility. It is unclear that SanStone has the financial ability to provide management services as no financial information on SanStone is provided.

UNC also failed to budget payroll taxes and benefits for the ancillary services employees.

Financial projections cannot be calculated because completed financials are not included for one of the two applicants. It cannot be determined if or how CPI's financial viability will be affected if there are changes and/or unexpected delays to the project. The applicants' financial projections are therefore unsupported and unreliable. As a result, the application is non-conforming to Criterion (5).

Operational Projections

UNC includes a 10-bed ventilator unit as part of its proposal. Ventilator units are currently licensed under the federal life safety codes and three administrative codes: 10A NCAC 13D.2506, 10A NCAC 13D.3003, and 10A NCAC 13D. 3005. The codes¹ are as follows:

10A NCAC 13D .2506: Physician Services for Ventilator Dependent Patients

Facilities with ventilator dependent care patients shall contract with a physician who has specialized training in pulmonary medicine. This physician shall be responsible for respiratory services and shall:

- (1) establish, with the respiratory therapist and nursing staff, appropriate ventilator policies and procedures, including emergency procedures;*
- (2) assess each ventilator-dependent patient's status at least monthly with corresponding progress notes;*
- (3) be available on an emergency basis; and*
- (4) participate in individual patient care planning.*

10A NCAC 13D .3003: Ventilator Dependence

The general requirements in this Subchapter shall apply when applicable. In addition, facilities having patients requiring the use of ventilators for more than eight hours a day shall meet the following requirements:

- (1) The facility shall be located within 30 minutes of an acute care facility.*
- (2) Respiratory therapy shall be provided and supervised by a respiratory therapist currently registered by the National Board for Respiratory Care. The respiratory therapist shall:*
 - (a) make, as a minimum, weekly on-site assessments of each patient receiving ventilator support with corresponding progress notes;*
 - (b) be on-call 24 hours daily; and*
 - (c) assist the pulmonologist and nursing staff in establishing ventilator policies and procedures, including emergency policies and procedures.*
- (3) Direct nursing care staffing shall be in accordance with Rule .3005 of this Section.*

¹ <http://reports.oah.state.nc.us/ncac/title%2010a%20-%20health%20and%20human%20services/chapter%2013%20-%20nc%20medical%20care%20commission/subchapter%20d/subchapter%20d%20rules.html>

The referenced section from the licensure rules read as follows:

10A NCAC 13D .3005: Special Nursing Requirements for Brain Injury Long-Term Care

Direct care nursing personnel staffing ratios established in Rule .2303 of this Subchapter shall not be applied to nursing services for patients who require brain injury long-term care. The minimum direct care nursing staff shall be 5.5 hours per patient day, allocated on a per shift basis as the facility chooses, to appropriately meet the patients' needs. It is also required that regardless of how low the patient census, the direct care nursing staff shall not fall below a registered nurse and a nurse aide I at any time during a 24-hour period.

Administrative code 10A NCAC 13D.3005 requires a ventilator unit to have one registered nurse and one nurse aide present at all times. In Table VII.2 (page 119), UNC does not include a registered nurse for either the night shift or evening shift. This is a clear violation of North Carolina administrative codes. As a result, all of UNC's operational projections are invalid as the ventilator unit is understaffed. The aforementioned understaffing also invalidates all financial projections. Therefore, one cannot discern if the facility is financially viable. The proposed facility fails to demonstrate that it is financially feasible and therefore is non-conforming to this Criterion.

The applicants' patient day projections and source of patient day payments are misstated in Project Year 1. UNC's application page 99, Section IV.2 (c), states that a fill-up rate of four residents per week is assumed. It is not reasonable to assume a new nursing care facility will fill at four Medicare and Medicaid residents per week from the opening day because UNC fails to account for delays associated with Medicare and Medicaid certification.

It has been the experience of UHS that payment for Medicare and Medicaid residents is not actually received until each individual provider number is issued. As such, it is reasonable to assume that a facility might delay admitting Medicare residents for 2 to 3 months or longer for Medicaid residents.

Conversations with Ms. Becky Wertz, Division of Health Service Regulation, Nursing Home Licensure and Certification, support UHS's experience. The cash flow statement in the pro formas shows that the facility expects to have cash receipts from Medicare and Medicaid from its initial opening. Expected delays in Medicare and/or Medicaid approval make this assumption incorrect. Therefore, one of the following must be true: the private pay days are understated, the bad debt is understated, or Medicaid and Medicare days are overstated. In any event, all operational and financial projections are invalid and the application is non-conforming to Criterion (5).

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

The applicant fails to demonstrate that a ventilator unit is needed for Chatham County and does not demonstrate that a 10-bed unit is the appropriate size for the ventilator unit. UNC argues that it needs a 10-bed ventilator unit to treat ventilator dependent patients (i.e., patients that are considered long-term ventilator patients). UNC's application:

- Fails to demonstrate that ventilator usage is increasing and/or additional ventilator units are needed in skilled nursing facilities. A lack of capacity does not equate to need. It is not clear if current ventilator units run near capacity because it is financially advantageous, clinically advantageous or if there is indeed a true lack of capacity.
- Fails to discuss and provide ventilator unit usage treatment trends. One cannot determine if treatment trends are impacting usage. No information is given on length-of-stay, outcomes, and/or benefits of a new ventilator unit. It is unclear if having a ventilator unit is considered "antiquated" in today's healthcare environment or if units are still needed. The application does not indicate how patients become ventilator unit eligible and/or if they are expected to be weaned from the unit once eligible.
- Fails to indicate if patients in need of a ventilator unit should clinically be treated in a skilled nursing facility or would have better outcomes in LTACs, an acute care hospital ICU or alternative treatment options.
- Fails to establish that patients being discharged out of its hospital to skilled nursing facilities are in need of ventilator services. It is clear that UNC hospital wants a place to locate ventilator patients outside of the hospital. One cannot determine if these patients medically qualify for nursing home placement, will be better served in the hospital or could be treated at home.
- Fails to confirm that the residents of Chatham County need a 10-bed ventilator unit. There is no argument determining if a smaller or larger unit would be sufficient and/or insufficient. It is unclear why the applicant chose a 10-bed ventilator unit and/or did not consider a larger/smaller unit.

UNC does not fulfill the burden of proof that the proposed service is needed. The application merely provides historical occupancy rates of other ventilator units in North Carolina. Applications must make evident that high occupancy rates equate to additional need. UNC makes no attempt to do so nor does it quantify the need. The applicant, therefore, fails to demonstrate that the ventilator unit included in its application will not result in unnecessary duplication of services and the application is non-conforming to Criterion (6).

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

- Review Criterion (7) states that the applicant “shall show evidence of the availability of resources, including health manpower...”. Section VII, Question 6 specifically asks the applicant to “describe the availability of health care professionals (i.e. RNs, LPNs, social workers, PTs, OTs, physicians, etc) in the proposed service area...” UNC fails to show any evidence of the availability of resources for the provision of the services provided.

UNC states it “does not expect any difficulty recruiting the necessary staff...because UNC proposes to offer competitive salaries, comprehensive benefits, and a positive work environment that potential staff will find attractive “(UNC application, page 126). The proposed nursing personnel salaries are lowest of the applicants in this review batch for the following disciplines: RNs, Nurse Aides, and the Director of Nursing. The applicant also has the second lowest proposed salary for LPNs (Table 2 of the cover letter). UNC fails to show evidence that it will be able to recruit the staff needed for a complex offering of services. As a result and for the reasons discussed above, the application is non-conforming to Criterion (7).

- Administrative code 10A NCAC 13D.3005 requires a ventilator unit to have one (1) registered nurse (and a nurse aide I) present at “anytime during a 24-hour period”. In Table VII.2 (page 119), UNC does not include a registered nurse for either the night shift or evening shift. This is a clear violation of federal life safety codes and the administrative codes. As a result, all of UNC’s operational projections are invalid as the ventilator unit is understaffed. The proposed facility fails to demonstrate conformance to staffing for federal life safety codes and the administrative codes and is therefore non-conforming to this Criterion.

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

UNC’s application is non-conforming to this Criterion. The applicant fails to demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services.

The applicant does not demonstrate that it will work with providers outside of the UNC System. A large portion of Chatham County residents are admitted in skilled nursing facilities from non-UNC providers. Yet the applicant does not discuss how it plans to work with providers outside of its system. The only support letter from a provider outside of the UNC system comes from a provider where no patients are expected. The applicant did not demonstrate or attempt to work with providers outside of the UNC system.

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

UNC fails to justify why it projects 52 percent of the skilled nursing beds will be filled with patients from counties with no need. There are no letters of support from organizations in the counties in which there is no need nor is there any documentation that UNC reached out to any of the existing providers outside of the UNC system in those counties. UNC fails to document the special needs and circumstances that warrant service to individuals outside of Chatham County. As a result, the application is non-conforming to Criterion (9).

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**

UNC's application is nonconforming to this Criterion. There is a demonstrated need for Medicare and Medicaid skilled nursing beds for residents of Chatham County. UNC fails to provide enough services to address the needs of the patients within the county. Please see the discussion in Criterion (3) and (5).

- 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 the service for which competition will not have a favorable impact.**

The application is non-conforming with Criterion (1), (3), (4), (5), (6), (7), (8), (13c) and (20). As a result, it is impossible to determine if the facility will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; thus, the application is non-conforming with this Criterion. Please see discussions in Criterion (1), (3), (4), (5), (6), (7), (8), (13c) and (20).

- 20. An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.**

The application is non-conforming to Criterion (20). UNC's application proposes SanStone to manage the proposed facility. The application does not provide evidence that SanStone is capable of and has provided quality care in the past. This application is therefore non-conforming to Criterion (20).

SECTION .1100 – CRITERIA AND STANDARDS FOR NURSING FACILITY OR ADULT CARE HOME SERVICES

10A NCAC 14C .1101: Information Required of Applicant

- (a) **An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.**

UNC's application is non-conforming to this Criterion. Please see the discussion in Criterion (5).

- (b) **An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.**

UNC's application is non-conforming to this Criterion. Please see the discussion in Criterion (3).

Attachment B

**COMPETITIVE REVIEW OF
CHATHAM COUNTY REHABILITATION CENTER (LIBERTY HEALTHCARE),
J-10168-13**

OVERVIEW

Liberty Healthcare Properties of Chatham County, LLC and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC, collectively referred to throughout this document as 'Liberty', propose to build Chatham County Rehabilitation center, a 90-bed skilled nursing facility north of Pittsboro, Chatham County. The Liberty proposal includes a 20-bed special care unit for persons with Alzheimer's and other related dementias. However, the application fails to justify the need for a 20-bed special care unit and fails to justify why a new 90-bed facility with a 20-bed special care unit is the best alternative. There is also a three-year moratorium on new special care unit licenses barring the Division of Health Services Regulation from licensing special care units. This limitation was not mentioned in Liberty's application and its impact could jeopardize the entire proposal. Liberty also failed to provide all relevant financial information. Finally, Liberty did not disclose quality concerns at multiple sister facilities. For these reasons, the application is non-conforming to Criterion (1), (3), (4), (5), (13c), and (20); and Criteria and Standards 10A NCAC 14C .1101.

CON REVIEW CRITERIA

- 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, ambulatory surgery operating rooms, or home health offices that may be approved.**

Overview

Chatham County Rehab Center's application is not consistent with applicable policies in the *2013 State Medical Facilities Plan (SMFP)* for the following reasons:

Safety and Quality

Safety and quality cannot be assumed, because the Liberty fails to adequately demonstrate it can provide quality services to all patients. Please see discussion in Criterion (20).

Access

Liberty provides no access for Medicare patients to its licensed special care unit. Please see the discussion in Criterion (13c).

Value

Liberty also do not demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative. Please see discussion in Criterion (4).

The financial viability of the project is questionable. Please see the discussion in Criterion (5).

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.**

Liberty's application is non-conforming to Criterion (3). The applicant includes a 20-bed special care unit for residents with Alzheimer's or dementia related illnesses. The applicant fails to fully document why this 20-bed unit is needed in Chatham County. A 30-bed Alzheimer's unit was opened recently in one of the existing Chatham County skilled nursing facilities, Siler City Nursing and Rehabilitation. That facility is Alzheimer's unit not full and currently accepting patients (Please see the conversation log in Attachment G). Further, the CON Section awarded 20 Adult Care Home Beds for an Alzheimer's/dementia unit for Chatham County in 2012. Both facilities are in Liberty's proposed service area and should have been considered in their need determination. The Liberty application, however, did not discuss these two facilities in its need determination.

Liberty does not discuss the reasoning or logic it used to arrive at the size of its Alzheimer's unit. Liberty failed to quantify the need for Alzheimer's/dementia units in Chatham and/or the service area. Therefore, there's no way to determine if 20 beds is sufficient or insufficient. Liberty's application is therefore non-conforming to Criterion (3).

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.**

Liberty's application includes a licensed 20-bed Alzheimer's/dementia unit. The applicant fails to demonstrate that the unit is the least costly or most effective alternative. A licensed special care unit requires a higher reimbursement than a basic nursing unit and is therefore a more costly alternative.

Table X.4A- Projected Per Diem Reimbursement Rate/Charges

| Source of Payment by Type of Care | Private Room | Semi-Private Room |
|-----------------------------------|--------------|-------------------|
| Nursing Unit | | |
| Private Pay | \$213.50 | \$196.50 |
| Commercial Insurance | \$213.50 | \$196.50 |
| Medicare | \$441.90 | \$441.90 |
| Medicaid | \$160.32 | \$160.32 |
| Special Care Unit | | |
| Private Pay | \$335.00 | \$275.00 |
| Commercial Insurance | \$335.00 | \$275.00 |
| Medicare | N/A | N/A |
| Medicaid | \$160.32 | \$160.32 |

Source: Liberty Table X.4A, page 114

Liberty also does not address why a 20-bed licensed unit is necessary and is the most effective alternative. As discussed earlier, there is an existing nursing facility with 30-bed Alzheimer's unit in Siler City that is not full and has no waiting list for new patients. The CON Section also awarded 20 Adult Care Home beds last year for a specialized Alzheimer's Unit in Chatham County. Liberty fails to address these alternatives. The application is therefore non-conforming to Criterion (4).

- 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.**

Financial Projections

Two applicants are listed on the application: Liberty Properties and Chatham County Rehabilitation Center. Section 10, Question 8 of the application requires that all applicants complete Form B and Form C for each of the first two full fiscal years of operation. Copies of Form B and Form C are not included for both applicants.

The proposed 90-bed facility will be leased by Liberty Properties to Chatham County Rehabilitation Center as the licensed operator. Therefore, the Form B and Form C included in the application are those of the operator, Chatham County Rehabilitation Center. The application did not include copies of Form B and Form C for Liberty Properties, the lessor of the operating facility.

The applicant indicates that only the lessor will incur capital costs (page 96). However, no financial information on Liberty Properties is included. It is unclear if Liberty Properties has the financial resources to sustain any construction and/or reimbursement changes.

Liberty includes a 20-bed licensed special care Alzheimer's/Dementia Unit in its application. The inclusion of the unit allows it generate additional reimbursement revenue. However, a moratorium barring new licenses for special care units was passed prior to the application being submitted. Therefore, Liberty will not be able to license the unit and will not be able to receive revenue projected from this unit. As a result, the financial projections will change (see below).

Liberty's proposed 20-bed Alzheimer's unit will be comprised of 12 private beds and 4 semi-private beds (page 50). In project year 2, the Special Care Unit is expected to generate \$345,545 (Form B, page 138). The net profit for the proposed facility is projected to be \$150,178 (Form B, page 139).

Table 1 – Patient Days by Payor Category Second Full Year without Special Care Unit

| Source of Payment by Type of Care | Private Room | Semi-Private Room | Private Patient Days | Semi-Private Patient Days | Revenue |
|-----------------------------------|-----------------|-------------------|----------------------|---------------------------|--------------------------------|
| | <i>a</i> | <i>B</i> | <i>c</i> | <i>d</i> | <i>E</i> <i>(a*b)+(c*d)</i> |
| Nursing Unit | | | | | |
| Private Pay | \$213.50 | \$196.50 | 825 | 873 | |
| Commercial Insurance | \$213.50 | \$196.50 | 0 | 0 | |
| Medicare | \$441.90 | \$441.90 | 1,961 | 2,077 | |
| Medicaid | \$160.32 | \$160.32 | 8,916 | 9,441 | |
| Special Care Unit | | | | | |
| Private Pay | \$213.50 | \$196.50 | 657 | 438 | \$226,336.50 |
| Commercial Insurance | \$213.50 | \$196.50 | 0 | 0 | |
| Medicare | N/A | N/A | 0 | 0 | |
| Medicaid | \$160.32 | \$160.32 | 3,504 | 2,336 | |

As discussed earlier, the moratorium that is currently in place will prevent Liberty from licensing the unit. Therefore, Liberty will lose \$114,208.50 (\$340,545 - \$226,336.50) without the unit during its second year. The projected net revenue in Year 2 will fall to \$35,970 (\$150,178 - \$114,208.50).

In Table VII.3 Liberty proposes a 0.50 FTE Occupational Therapy (OT) Assistants. Liberty does not budget for their salary in Form C, PY 2 under Ancillary Services. Thus, Liberty has under-budgeted Ancillary Service Expenses by \$36,795 [(0.50 times \$60,320) plus 22% taxes and benefits].

Table 2 – Projected Net Revenue

| | |
|---|-------------------|
| Projected Net Revenue w/o Special Care Unit | \$35,970 |
| Salary & Benefits of additional .5 OT | (\$36,795) |
| Projected Net Revenue | (\$825.00) |

Liberty failed to account for the inability to license a special care unit and under-budget salaries and benefits of an additional .5 OT. These two changes make this project unprofitable in Year 2 when included in the financial projections. Therefore, Liberty failed to demonstrate that this project is financially feasible in the immediate and long-term. This application is non-conforming to Criterion (5).

Operational Projections

Liberty's operational projections are unsupported and unreliable for the following reasons:

- It has been the experience of UHS that payment for Medicare and Medicaid residents is not actually received until each individual provider number is issued. As such, it is reasonable to assume that a facility might delay admitting Medicare residents for 2-to 3 months and longer for Medicaid residents. Ms. Becky Wertz, (Attachment G) Division of Health Service Regulation, Nursing Home Licensure and Certification, supports UHS's experience. According to Ms. Wertz, the process for licensure and certification of a new nursing home will follow a path similar to the following:
 - The day a facility is licensed, it can admit patients. The facility will only be reimbursed for private pay patients.
 - Once licensed, the facility submits an 855A form to the Centers for Medicare and Medicaid Services (CMS). The applicant can submit an 855A form before it receives its licensure, but CMS will not consider the application until it is notified by the State that the facility has received licensure.
 - CMS reviews the application. This process usually takes a minimum of a few weeks but is often longer. If a Medicare provider number is approved, CMS notifies the provider and the State.
 - The provider then requests a Certification Survey by the State. The State is expected to provide a CMS certification survey within 3 weeks of the request. However, CMS has instructed the North Carolina Licensure Division that Certification Surveys are not a priority. The three-week requirement can be exceeded if the Licensure Division is short-staffed or facing other stresses. Further, the State Licensure Division is currently short-staffed and they are not meeting the three-week requirement. They have no plans to do so in the near term and will not be able to address staffing issues in the near future. Therefore, delays in Certification surveys should be anticipated.
 - If the facility is found deficiency-free during its Certification Survey, the facility can apply for a Medicaid Provider Number. Medicaid provider approval is granted by the Division of Medicaid. Providers have stated to Ms. Wertz that approval has been very slow and challenging. Delays are expected.
 - Once a Medicaid provider number is granted, the facility can expect back payments for Medicaid patients admitted only from the time the survey is completed. Providers will receive no reimbursement for Medicaid patients admitted prior to the completion of the Certification Survey.

Payment for Medicaid patients will be received once the facility receives its Medicaid Provider Number. This will be after the Medicare payments are received because a facility cannot submit its Medicaid Provider Number information until a Medicare Provider Number is issued.

Liberty's application assumes that it will receive Medicare and/or Medicaid certification two weeks after licensure (Section XII, page 132). This timeline is unlikely given expected delays in Medicaid and Medicare certification. Therefore, one of the following is possible: the private pay days are understated, the bad debt is understated, or Medicaid and Medicare days are overstated. The combination of additional delays in Medicare and Medicaid certification and lack of a licensed special care unit will alter the projected patient days. In any event, all operational projections are inaccurate.

The financial and operational projections of Liberty's proposed facility must be called into question. Financial projections cannot be calculated because completed financials are not included for one of the two applicants. The financial feasibility of the proposed facility is questionable without the licensed special care unit. Operational projections are incorrect because Liberty will not be able to license a special care unit and may have overstated patient days. Multiple errors exist. For these reasons, this application is non-conforming to Criterion (5).

- 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**

Medicare patients have been identified as an underserved group by the Certificate of Need Section. Liberty projects that no Medicare patients will access Alzheimer's/dementia special care unit. Table IV.3 includes no Medicare patient days in the special care unit (page 73-74).

20. An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

Liberty's application is non-conforming to Criterion (20). Section II, Question 6 requires that all deficiencies that constitute "substandard quality of care" be reported in its application for the previous 18 months. This includes all deficiencies that score: J, K, H, L, I, and F. Liberty lists one facility, Springwood Care Center in Forsyth County, as having a deficiency (page 46). The charts below indicate that this is inaccurate. Liberty failed to report numerous deficiencies that should have been included in its application.

Table 3 - Liberty's Total Infractions by Facility In the Previous 18-Months

| Liberty Facilities | County | Number of Deficiencies Cited by Grade | | | | | | | Total Number of Deficiencies Corrected | Infraction Date |
|-------------------------------------|-------------|---------------------------------------|---|---|---|---|---|---|--|-----------------|
| | | B | C | D | E | F | G | J | | |
| Southwood N&R Center | Sampson | | | 7 | 2 | 2 | | | 10 | 3/2012 |
| Liberty Commons N&R (Winston-Salem) | Forsyth | | | 2 | | | | | 10 | 4/2012 |
| Liberty Commons N&R (Burlington) | Alamance | | | 5 | 1 | | | | 15 | 4/2012 |
| Three Rivers Health and Rehab | Bertie | | | 5 | | | | | 12 | 5/2012 |
| Capital N&R Raleigh | Wake | | | | 1 | | | | 5 | 5/2012 |
| Liberty Commons N&R Weldon | Halifax | 1 | 2 | 7 | 4 | | 1 | | 50 | 6/2012 |
| Cross Creek Health Care | Hyde | | | 5 | 1 | | | | 16 | 6/2012 |
| Liberty Commons N&R (Charlotte) | Mecklenburg | | | 2 | 3 | | | | 19 | 6/2012 |
| Liberty Commons (Wilmington) | New Hanover | | | | 1 | | | | 4 | 6/2012 |
| Liberty Commons N&R (Salisbury) | Rowan | | | | | | 1 | | 8 | 6/2012 |
| Bermuda Commons N&R Advance | Davie | | | | | | 1 | | 5 | 9/2012 |
| Liberty Commons (Wilmington) | New Hanover | | | | | | 1 | | 18 | 10/2012 |
| Liberty Commons N&R (Whiteville) | Columbus | | | 5 | 4 | | | | 19 | 11/2012 |
| Golden Years Nursing Home | Cumberland | | | 1 | 3 | | | | 2 | 11/2012 |
| Lee County N&R (Sanford) | Lee | | | 4 | | 1 | | | 10 | 11/2012 |

| Liberty Facilities | County | Number of Deficiencies Cited by Grade | | | | | | | Total Number of Deficiencies Corrected | Infraction Date |
|-------------------------------------|-------------|---------------------------------------|---|---|----|---|---|---|--|-----------------|
| | | B | C | D | E | F | G | J | | |
| Bermuda Commons N&R Advance | Davie | | 1 | 6 | 2 | 1 | | | 34 | 12/2012 |
| Liberty Commons (Wilmington) | New Hanover | | | 1 | 9 | 3 | | | 16 | 12/2012 |
| Capital N&R Raleigh | Wake | | | 3 | 1 | 1 | | | 2 | 12/2012 |
| Liberty Commons N&R (Winston-Salem) | Forsyth | | | 1 | | | | 1 | 17 | 1/2013 |
| Liberty Commons N&R (Winston-Salem) | Forsyth | | | | 1 | | | | 8 | 2/2013 |
| Liberty Commons N&R (Winston-Salem) | Forsyth | 1 | | 5 | 11 | | | | 54 | 3/2013 |
| Mary Gran Nursing Center | Sampson | | | 2 | | | | | 9 | 3/2013 |
| Three Rivers Health and Rehab | Bertie | | | 2 | 3 | | | | 11 | 3/2013 |
| Southwood N&R Center | Sampson | | | | 6 | | | | 3 | 4/2013 |
| Liberty Commons N&R Weldon | Halifax | | | 2 | 5 | | | | 9 | 5/2013 |
| Liberty Commons (Wilmington) | New Hanover | | | 1 | | | | | 4 | 6/2013 |

Source: <http://www.ncdhhs.gov/dhsr/facilities/results.asp>

SECTION .1100 – CRITERIA AND STANDARDS FOR NURSING FACILITY OR ADULT CARE HOME SERVICES

10A NCAC 14C .1101-Information Required of Applicant

- (a) An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.**

Liberty's projections for utilization are unreliable. Please see discussion in Criterion (5).

Attachment C

**COMPETITIVE REVIEW OF –
KENSINGTON REHAB AND NURSING CENTER, INC, AND J.E.E., LLC
PROJECT ID# J-10167-13**

OVERVIEW

Kensington Nursing Home and Rehab Center, Inc (lessee) and J.E.E., LLC (lessor) collectively referred to throughout this document as 'Kensington', propose to develop a 90-bed skilled nursing facility in Pittsboro, NC. The applicants: fail to justify the need for a 90-bed nursing facility, fail to indicate how it will maintain quality patient care and fail to provide all relevant financial information. As a result, it is unclear if the proposed project is financially feasible. For these reasons, Kensington's application is non-conforming to Criterion (1),(3), (5), and (20), and Criteria and Standards 10A NCAC 14C .1101.

CON REVIEW CRITERIA

- 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, ambulatory surgery operating rooms, or home health offices that may be approved.**

Overview

Kensington's application is not consistent with all applicable policies of the *2013 State Medical Facilities Plan (SMFP)* for the following reasons:

- Safety and quality cannot be confirmed. Among the applicants in this review batch, Kensington has the lowest proposed RN salary (\$60,000) and lowest proposed Nurse Aide Salary (\$25,500). Better salaries and benefits have been strongly correlated with lower turnover and higher employee satisfaction, factors associated with quality of care.
- Kensington fails to fully calculate an independent needs assessment and fails to adequately demonstrate the need of the population for the proposed nursing care facility service. Please see the discussion in Criterion (3).

For the reasons stated above, Kensington fails to demonstrate that its application is consistent with all applicable policies.

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.**

Kensington's application is non-conforming to Criterion (3). Kensington does not adequately demonstrate the need of the population to be served for the following reasons:

- Kensington does not describe the unmet need that necessitated the inclusion of each of the proposed project components described in Section II.2 and II.3. Section III.1.(a) specifically instructs applicants to "describe the unmet need that necessitated the inclusion of each of the proposed project components...as set forth in the description of the scope of services in Section II.2 and II.3" In Section III.1.(b), Kensington discussed only the need projected by the 2013 SMFP and contact it made with local providers. Review Criterion (3) also specifically states that an applicant "...shall demonstrate the need that [the] population has for the services proposed." The applicant references surveys as a basis for services included. No other statistics are provided to justify the need for the services it proposes.
- The Applicant's independent bed need assessment is incomplete. Kensington fails to project bed need for 2014 and 2015. Kensington provides only 2016 data and fails to clearly explain how it calculated bed need for 2016. The application also does not project need beyond 2016 (Please see Exhibit 12 of the Kensington application).

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.**

Financial Projections

Two applicants are listed on the Kensington application: J.E.E., LLC and Kensington Rehab and Nursing Center, Inc. Section 10, Question 8 of the application requires that all applicants complete Form B and Form C for each of the first two full fiscal years of operation. Copies of Form B and Form C are not included for both applicants.

J.E.E. will lease the proposed 90-bed facility to Kensington Rehab and Nursing Center, Inc as the licensed operator. Therefore, the Form B and Form C included in the application are those of the operator, Kensington Rehab and Nursing Center. The application should include copies of Form B and Form C for J.E.E. as well as Kensington. It does not. Kensington's application is non-conforming to Criterion (5).

The applicant indicates that all capital expenditures for the proposed project will be incurred by J.E.E., LLC. No financial information on J.E.E., LLC is included. Therefore, it is unclear if J.E.E. has the cash flow to sustain any changes in revenue/expenses. Moreover, without financial statements for one of the applicants, it is not clear that revenue from the proposed lease will be sufficient to cover all Lessor expenses.

Operation Projections

Kensington's patient day projections and source of patient day payments are misstated in first partial year (Table IV.2). Kensington fails to account for delays associated with Medicare and Medicaid certification. Kensington's schedule projects receiving Medicare and Medicaid certification within 10 days of licensure. This is unreasonable. It has been the experience of UHS- that payment for Medicare and Medicaid residents is not actually received until each individual provider number is issued. As such, it is reasonable to assume that a facility might delay admitting Medicare residents for 2 to 3 months and longer for Medicaid residents.

Conversations with Ms. Becky Wertz, (Attachment G) Division of Health Service Regulation, Nursing Home Licensure and Certification, support UHS's experience. The cash flow statement in the pro forma shows that the facility expects to have cash receipts from Medicare and Medicaid from its initial opening. Expected delays in Medicare and/or Medicaid approval make this incorrect. Kensington fails to appropriately account for these delays and therefore one of the following most likely occurs: the private pay days are understated, the bad debt is understated, or Medicaid and Medicare days are overstated.

All operational and financial projections are invalid and the application is non-conforming to Criterion (5). Financial and operational projections cannot be calculated because completed financials are not included for one of the two applicants. Financial feasibility of the project is not certain. The applicants' financial projections are therefore unsupported and unreliable. Therefore, the application is non-conforming to Criterion (5).

20. An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

Kensington cites Robert Evans, Riley Evans, and Florence Johnson as principals in the co-applicants of this project (page 14). Each of these principals have ownership interests in three existing facilities: Hillside Nursing Center in Wake County, Windsor Point CCRC in Wake County, and Brunswick Cove Nursing Facility in Brunswick County. Section II, Question 6 requires all that all deficiencies that constitute substandard quality of care be reported in its application for the previous 18 months. This includes all deficiencies that score: J, K, H, L, I, and F.

In May 2013, well within the 18 month purview used by the Agency when addressing quality concerns of applicants, Brunswick Cove Nursing facility was cited for an "F" type statement of deficiency. Kensington did not provide this information in its application (page 31) and, therefore, it is unclear if Kensington has provided quality care in the past. Further, per Judge Elkin's decision in the appeal of the 2011 Wake County skilled nursing bed review, each applicant is required to be forthcoming with the Agency in regard to all major deficiencies cited within the previous 18 months. Kensington's did not provide such information and, resultantly, its application is non-conforming to Criterion (20).

NORTH CAROLINA ADMINISTRATIVE CODE – SECTION .1100

10A NCAC 14C .1101: Information Required of Applicant

- (a) **An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.**

Kensington's projections for utilization are unsupported and unreliable. The applicant also failed to project need for 2014, 2015, and beyond 2016. Please see the discussion in Criterion (3) and (5).

- (b) **An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.**

Kensington fails to provide assumptions to justify patients originating from counties with no or little need. Please see the discussion in Criterion (3).

Attachment D

**COMPETITIVE REVIEW OF –
CHATHAM HEALTH AND REHABILITATION CENTER
AND CHATHAM HEALTHCARE GROUP,
PROJECT ID# J-10169-13**

OVERVIEW

Chatham Health Investors, LLC and Chatham Healthcare group, LLC, collectively referred to as 'Chatham Health and Rehab' throughout this document, propose to develop Chatham Health and Rehabilitation Center, a 90-bed skilled nursing facility in Chapel Hill, North Carolina. Analysis of this application illustrates a proposal that does not discuss the need for each proposed project component and fails to justify why a portion of the patients are expected to come from counties with no or little need according to the 2013 SMFP. Chatham Health Investors, LLC also fails to fully demonstrate that it has sufficient funds to complete the project. Chatham Health and Rehab's application also has the lowest percentage of nursing hours per patient day (NHPPD), lowest licensed nursing hours per patient day, lowest percentage of private rooms, lowest percentage of Medicare access, highest cost per private room, second highest cost for a semi-private room, and the lowest LPN salary among the applicants in this review batch.

Lastly, the proposed project is not consistent with all the special rules for nursing care facilities in 10A NCAC Section 14C .1100 – Criteria and Standards for Nursing Care Facility Services. For these reasons and others, Chatham Health and Rehab's application is non-conforming to Criterion (1), (3), (4), (5), (7), (9), (12), and (13c); and Criteria and Standards 10A NCAC 14C .1101.

CON REVIEW CRITERIA

- 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, ambulatory surgery operating rooms, or home health offices that may be approved.**

Overview

The proposed application is not consistent with applicable policies of the 2013 State Medical Facilities Plan (SMFP) for the following reasons:

Quality

Safety and quality cannot be confirmed. One skilled nursing facility quality measure is RN and LPN NHPPD. Chatham Health and Rehab's application's proposes 1.06 NHPPD, the lowest among all of the applicants. Moreover, Chatham Health and Rehab has:

- The lowest percentage of private rooms (38%);
- The lowest expected LPN salary (\$46,327);
- The lowest number of nursing hours per day (3.40); and
- The lowest average percentage of taxes and benefits (17.8%).

Better salaries and benefits have been strongly correlated with lower turnover and higher employee satisfaction, factors associated with quality of care. Chatham Health and Rehab also plans to staff the nursing home with only one RN per shift (3.0 total RNs). This staffing falls well below industry norms and is significantly lower than all of the other applicants in this review batch. Research has found that long-term skilled nursing patients with higher licensed nurses per patient day have fewer pressure ulcers, less weight loss and fewer hospitalizations.¹ The combination of low salaries and low staffing (especially low licensed nursing hours per patient day) could become problematic in light of Chatham Health and Rehab's proposed program offerings.

Access

Medicare has been recognized as an underserved population by the Certificate of Need Section. Chatham Health and Rehab has the second lowest percentage of Medicare access (15.66%) as compared to other applications.

Value

Chatham Health and Rehab has the highest private pay private room charge (\$220.00) and the second highest private pay semi-private room charge (\$195.00). It also has the lowest percentage of private rooms (38%). Chatham Health and Rehab also do not demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative. Please see discussion in Criterion (12).

¹ Susan D. Horn PhD, Peter Buerhaus PhD, RN, Nancy Bergstrom PhD, RN, Randall J. Smout MSRN Staffing Time and Outcomes of Long-Stay Nursing Home Residents AJN, American Journal of Nursing, Nov. 2005, Volume 105 No. 11 Pgs 58-70

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.

Chatham Health and Rehab’s application is non-conforming to this Criterion. Chatham Health and Rehab does not adequately demonstrate the need of the population to be served for the following reasons:

- Chatham Health and Rehab fails to justify the need for patients outside of Chatham County. Non-Chatham County residents are projected to fill 14% of the proposed 90 beds (page 36). However, none of these counties are identified as having need based on the 2013 SMFP. The applicant did not justify why it included patients from these counties in its service area.

Table 1 –Chatham Health and Rehab’s Projected Resident Origin by County

| County | Percent of Total SNF Admissions | Nursing Care Bed Need Projections for 2016 |
|---------|---------------------------------|--|
| Chatham | 86% | 90 |
| Orange | 5% | 0 |
| Wake | 3% | 0 |
| Durham | 3% | 0 |
| Other | 3% | 0 |

Source: 2013 SMFP (pages 234-235)

- Chatham Health and Rehab did not complete an independent bed need assessment. Therefore, it fails to demonstrate need will exist beyond 2016. The applicant does not validate the need for services.

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.

Chatham Health and Rehab’s application is non-conforming to Criterion (4). The application fails to consider any alternative options in its discussion in Section III.2.(a). Instead of describing any alternatives considered, Chatham Health and Rehab describes the company and need for more beds in Chatham County. Chatham Health and Rehab also does not indicate why the option chosen was the most effective alternative nor does it demonstrate why it is the least costly alternative.

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.**

Financial Projections

Chatham Health and Rehab fails to demonstrate funds needed as well as long term feasibility based on reasonable projections for the following reasons:

- Two applicants are listed on the application: Chatham Health Investors, LLC and Chatham Healthcare Group, LLC. Section 10, Question 8 of the application specifically requires that ALL applicants complete Form B and Form C for each of the first two full fiscal years of operation. Copies of Form B and Form C are not included for both applicants. Chatham Health Investors will lease the proposed 90-bed facility to Chatham Healthcare Group, LLC, as the licensed operator. Therefore, Form B and Form C included in the application are those of the operator, Chatham Healthcare Group, LLC. The application should include copies of Form B and Form C for Chatham Health Investors as well as Chatham Healthcare Group. It does not.
- The applicant indicates that all capital expenditures for the proposed project will be incurred by Chatham Health Investors, LLC. No financial information on Chatham Health Investors is included. Therefore, it is unclear if Chatham Health Investors has the resources to sustain any construction and/or reimbursement changes.
- Chatham Health and Rehab includes a PT Aide for \$30,366 in Table VII.3. Form C, Project Year 2, does not include budgeted dollars for the PT Aide under Ancillary Services.

Operation Projections

Chatham Health and Rehab's patient day projections and source of patient day payments are misstated in Year one. Chatham Health and Rehab's application states that a fill-up rate of four residents per week was assumed. It is not reasonable to assume a new nursing care facility will fill at four Medicare and Medicaid residents per week from the opening day, as one must account for delays associated with Medicare and Medicaid Certification.

Chatham Health and Rehab's schedule projects receiving Medicare and Medicaid Certification the day it is licensed. That is not plausible. It has been the experience of UHS that payment for Medicare and Medicaid residents is not actually received until each individual provider number is issued. As such, it is reasonable to assume that a facility might delay admitting Medicare and/or Medicaid residents for 2 to 3 months.

Conversations with Ms. Becky Wertz, (Attachment G) Division of Health Service Regulation, Nursing Home Licensure and Certification, support UHS's experience. The schedule (page 216) indicates that the facility expects to have cash receipts from Medicare and Medicaid from its initial opening (page 73). Expected delays in Medicare and/or Medicaid approval make this incorrect. Therefore, one of the following is possible: the private pay days are understated, the bad debt is understated, or Medicaid and Medicare days are overstated.

All operational and financial projections are invalid and the application is non-conforming to Criterion (5). Financial and operational projections cannot be calculated because completed financials are not included for one of the two applicants. Chatham Health Investors, as the lessor, will use revenues generated from the proposed facility to make payments on the loan. It cannot be determined if Chatham Health Investors will be able to make those payments if there are unexpected reimbursement delays and/or construction delays from the proposed facility. Financial feasibility of the project is not certain. The applicants' financial and operational projections are therefore unsupported and unreliable. Resultantly, the application is non-conforming to Criterion (5).

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

Chatham Health and Rehab fails to show evidence of the availability of resources. Section 5, Question 6 specifically asks the applicant to "describe the availability of health care professionals in the proposed service area". Chatham Health and Rehab fails to do so. No information on the availability of health professionals in the community is provided. For this reason, this application is non-conforming to Criterion (7).

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

Chatham Health and Rehab proposes that 14% of its proposed admissions will come from counties with little or no need. Please see the discussion in Criterion (3). For this reason, this application is non-conforming to Criterion (9).

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.**

Chatham Health and Rehab's proposed sites have no water access. For the primary site, the application assumes that water can be provided by extending the water main via two options: a 2,200 foot extension of a water main along Henley Road or 620 feet water main extension along the property line. The letter (Exhibit 21 of Chatham Health and Rehab's application) from Leonard McBryde, Public Utilities Director, indicates that the water mains for both sites have the capacity for "domestic demand" only. Domestic demand is defined as using for standard home operations – home laundries, toilets, shower, and/or sinks. Sprinkler systems are not considered within the definition of domestic use. See Attachment G.

It is not clear that the water mains can support a sprinkler system that is required in a skilled nursing facility. Construction and fire safety regulations require facilities to have extensive sprinkler systems. Sprinkler systems are also used for irrigation. Chatham Health and Rehab failed to verify that the primary site has water access. It also failed to verify that the existing piping is the appropriate size. Furthermore, Chatham Health and Rehab budgeted only \$30,000 in its capital costs to extend the water main. It has been UHS's experience that it costs significantly more to extend a water main a minimum of 620 feet.

Both sites will also have to be re-zoned. Re-zoning in Chatham County has always been difficult. Chatham Health and Rehab fails to demonstrate that a request for rezoning will be approved. It assumes that rezoning will be likely simply because it "is compatible with surrounding property uses" (page 86). Rezoning in Chatham County has historically been difficult.

For these reasons, this application is non-conforming to Criterion (12).

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**

Medicare patients have been identified by Certificate of Need Section as an underserved group. Chatham Health and Rehab proposes to have the second lowest percentage of Medicare patients as compared to other applicants.

NORTH CAROLINA ADMINISTRATIVE CODE –SECTION .1100: CRITERIA AND STANDARDS FOR NURSING FACILITY OR ADULT CARE HOMES

10A NCAC 14C .1101: Information Required of Applicant

- (a) **An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.**

Chatham Health and Rehab fails to demonstrate its specific methodology by which patient origin is projected. 14% of patients are expected to originate from counties with little or no need according to the *2013 SMFP*. No justification is given on why patients from these counties are included and/or necessary. Chatham Health and Rehab's application is therefore non-conforming to this Criterion.

- (b) **An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.**

This application is non-conforming to this Criterion. Please see the discussion in Criterion (12).

Attachment E

2013 Skilled Nursing Facility Comparative Factors

| Organization | % Private Rooms | Medicaid Access | Medicare Access | Private Pay charge - Private Room | Semi-Private Room | Total Direct Cost (less ancillary plus indirect cost per patient day) | RN salary | LPN salary | Aide salary | DON | ADON salary | NHPPD | Licensed NHPPD (RN +LPN) | Taxes and Benefits | Location |
|--|-----------------|-----------------|-----------------|-----------------------------------|-------------------|---|-----------|------------|-------------|-----------|-------------|-------|--------------------------|--------------------|---|
| Chatham County Rehabilitation Center (Liberty) | 51% | 76.19% | 16.76% | \$ 213.50 | \$ 196.00 | \$ 188.62 | \$ 62,358 | \$ 53,102 | \$ 27,027 | \$ 90,247 | \$ 56,314 | 4.06 | 1.41 | 22.0% | US 15-501 & Sunny Acres Road |
| Chatham Health and Rehabilitation Center | 38% | 78.31% | 15.66% | \$ 220.00 | \$ 195.00 | \$ 198.86 | \$ 65,053 | \$ 46,327 | \$ 26,291 | \$ 90,181 | \$ 59,598 | 3.40 | 1.06 | 17.8% | 460 Henley Road |
| Kensington Rehab and Nursing Center | 51% | 74.0% | 18.0% | \$ 205.00 | \$ 195.00 | \$ 190.22 | \$ 60,000 | \$ 50,000 | \$ 25,500 | \$ 87,000 | \$ 70,000 | 4.24 | 1.44 | 18.0% | Lowes Drive |
| UNC Hospitals Nursing Care and Rehabilitation Center | 51% | 77.1% | 14.3% | \$ 219.91 | \$ 201.88 | \$ 229.07 | \$ 53,922 | \$ 47,059 | \$ 24,471 | \$ 75,000 | \$ 61,988 | 3.71 | 1.67 | 29.0% | Block F8 (approx 9.1 acres in Chatham Park) |
| PruittHealth - Chatham | 64% | 69.8% | 22.1% | \$ 178.36 | \$ 165.68 | \$ 212.51 | \$ 69,411 | \$ 55,167 | \$ 27,198 | \$ 96,527 | \$ 76,143 | 4.12 | 1.71 | 23.4% | Pittsboro |

Ranking

| Organization | % Private Rooms | Medicaid Access | Medicare Access | Private Pay charge - Private Room | Semi-Private Room | Total Direct Cost (less ancillary plus indirect cost per patient day) | RN salary | LPN salary | Aide salary | DON | ADON salary | NHPPD | Licensed NHPPD (RN +LPN) | Taxes and Benefits | Total Number of Metrics Ranked 1st | Average Metric Ranking |
|--|-----------------|-----------------|-----------------|-----------------------------------|-------------------|---|-----------|------------|-------------|-----|-------------|-------|--------------------------|--------------------|------------------------------------|------------------------|
| Chatham County Rehabilitation Center (Liberty) | 2 | 3 | 3 | 3 | 4 | 1 | 3 | 2 | 2 | 2 | | 3 | 4 | 3 | 1 | 2.69 |
| Chatham Health and Rehabilitation Center | 5 | 1 | 4 | 5 | 2 | 3 | 2 | 5 | 3 | 3 | 4 | 5 | 5 | 5 | 1 | 3.71 |
| Kensington Rehab and Nursing Center | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 3 | 4 | 4 | 2 | 1 | 3 | 4 | 1 | 2.79 |
| UNC Hospitals Nursing Care and Rehabilitation Center | 2 | 2 | 5 | 4 | 5 | 5 | 5 | 4 | 5 | 5 | 3 | 4 | 2 | 1 | 1 | 3.71 |
| PruittHealth - Chatham | 1 | 5 | 1 | 1 | 1 | 4 | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 2 | 10 | 1.64 |

Attachment F

Chatham County Nursing Facilities
Summary of Nursing Facility Patient Origin
(Use Total Patients Served)

Page 7 - Column C

Patients

| County | Siler City Care and Rehabilitation Center | Carolina Meadows Health Center | The Laurels of Chatham | The Arbor | Total |
|------------|---|--------------------------------|------------------------|-----------|-------|
| Alamance | 4 | | 16 | | 20 |
| Alexander | | | | | 0 |
| Alleghany | | | | | 0 |
| Anson | | | | | 0 |
| Ashe | | | | | 0 |
| Avery | | | | | 0 |
| Beaufort | | | | | 0 |
| Bertie | | | | | 0 |
| Bladen | | | 1 | | 1 |
| Brunswick | | | | | 0 |
| Buncombe | | | 1 | | 1 |
| Burke | | | | | 0 |
| Cabarrus | | | | | 0 |
| Caldwell | | | | | 0 |
| Camden | | | | | 0 |
| Carteret | | 2 | | | 2 |
| Caswell | | | | | 0 |
| Catawba | | | | | 0 |
| Chatham | 296 | 28 | 188 | 70 | 582 |
| Cherokee | | | | | 0 |
| Chowan | | | | | 0 |
| Clay | | | | | 0 |
| Cleveland | | | | | 0 |
| Columbus | | | | | 0 |
| Craven | | 1 | | | 1 |
| Cumberland | | 3 | 4 | | 7 |
| Currituck | | | | | 0 |
| Dare | | 2 | | | 2 |
| Davidson | | | | | 0 |
| Davie | | | | | 0 |
| Duplin | | | 1 | | 1 |
| Durham | 4 | 29 | 36 | | 69 |

| | | | | | |
|-------------|----|-----|----|--|-----|
| Edgecombe | | | | | 0 |
| Forsyth | | 1 | | | 1 |
| Franklin | | | 2 | | 2 |
| Gaston | | | | | 0 |
| Gates | | | | | 0 |
| Graham | | | | | 0 |
| Granville | | | 2 | | 2 |
| Greene | | | | | 0 |
| Guilford | | 4 | 3 | | 7 |
| Halifax | | | | | 0 |
| Harnett | | | 6 | | 6 |
| Haywood | | | | | 0 |
| Henderson | | 3 | | | 3 |
| Hertford | | | | | 0 |
| Hoke | 1 | | | | 1 |
| Hyde | | | | | 0 |
| Iredell | | | | | 0 |
| Jackson | | | | | 0 |
| Johnston | | | 3 | | 3 |
| Jones | | | | | 0 |
| Lee | | 5 | 52 | | 57 |
| Lenoir | | 1 | | | 1 |
| Lincoln | | | | | 0 |
| Macon | | | | | 0 |
| Madison | | | 1 | | 1 |
| Martin | | | | | 0 |
| McDowell | | | | | 0 |
| Mecklenburg | | 2 | 1 | | 3 |
| Mitchell | | | | | 0 |
| Montgomery | | | | | 0 |
| Moore | | 4 | 4 | | 8 |
| Nash | | | | | 0 |
| New Hanover | | | | | 0 |
| Northampton | | | | | 0 |
| Onslow | | | 1 | | 1 |
| Orange | | 116 | 48 | | 164 |
| Other | | | | | 0 |
| Pamlico | | | | | 0 |
| Pasquotank | | | | | 0 |
| Pender | | | | | 0 |
| Perquimans | | | | | 0 |
| Person | | | | | 0 |
| Pitt | | | | | 0 |
| Polk | | | | | 0 |
| Randolph | 23 | | 5 | | 28 |
| Richmond | 1 | | | | 1 |
| Robeson | | 1 | 1 | | 2 |

| | | | | | |
|--------------------|------------|------------|------------|-----------|-------------|
| Rockingham | | | | | 0 |
| Rowan | | | | | 0 |
| Rutherford | | | | | 0 |
| Sampson | | | 1 | | 1 |
| Scotland | | | | | 0 |
| Stanly | | | | | 0 |
| Stokes | | | | | 0 |
| Surry | | | | | 0 |
| Swain | | | | | 0 |
| Transylvania | | | | | 0 |
| Tyrrell | | | | | 0 |
| Union | | | | | 0 |
| Vance | | | 1 | | 1 |
| Wake | 16 | 8 | 112 | | 136 |
| Warren | | | | | 0 |
| Washington | | | | | 0 |
| Watauga | | 2 | | | 2 |
| Wayne | | | | | 0 |
| Wilkes | | | | | 0 |
| Wilson | | | 1 | | 1 |
| Yadkin | | | | | 0 |
| Yancey | | 1 | | | 1 |
| Georgia | | | | | 0 |
| South Carolina | | 5 | | | 5 |
| Tennessee | | 2 | | | 2 |
| Virginia | | 4 | | | 4 |
| Other Out of State | | 81 | 2 | | 83 |
| Total | 345 | 305 | 493 | 70 | 1213 |

Chatham County Nursing Facilities

| County | Siler City Care and Rehabilitation Center | Carolina Meadows Health Center | The Laurels of Chatham | The Arbor | Total |
|------------|---|--------------------------------|------------------------|-----------|-------|
| Alamance | 1.2% | 0.0% | 3.2% | 0.0% | 1.6% |
| Alexander | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Alleghany | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Anson | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Ashe | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Avery | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Beaufort | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Bertie | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Bladen | 0.0% | 0.0% | 0.2% | 0.0% | 0.1% |
| Brunswick | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Buncombe | 0.0% | 0.0% | 0.2% | 0.0% | 0.1% |
| Burke | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cabarrus | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Caldwell | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Camden | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Carteret | 0.0% | 0.7% | 0.0% | 0.0% | 0.2% |
| Caswell | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Catawba | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Chatham | 85.8% | 9.2% | 38.1% | 100.0% | 48.0% |
| Cherokee | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Chowan | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Clay | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cleveland | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Columbus | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Craven | 0.0% | 0.3% | 0.0% | 0.0% | 0.1% |
| Cumberland | 0.0% | 1.0% | 0.8% | 0.0% | 0.6% |
| Currituck | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Dare | 0.0% | 0.7% | 0.0% | 0.0% | 0.2% |
| Davidson | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Davie | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Duplin | 0.0% | 0.0% | 0.2% | 0.0% | 0.1% |
| Durham | 1.2% | 9.5% | 7.3% | 0.0% | 5.7% |
| Edgecombe | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Forsyth | 0.0% | 0.3% | 0.0% | 0.0% | 0.1% |
| Franklin | 0.0% | 0.0% | 0.4% | 0.0% | 0.2% |
| Gaston | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Gates | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Graham | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Granville | 0.0% | 0.0% | 0.4% | 0.0% | 0.2% |
| Greene | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Guilford | 0.0% | 1.3% | 0.6% | 0.0% | 0.6% |
| Halifax | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Harnett | 0.0% | 0.0% | 1.2% | 0.0% | 0.5% |

| | | | | | |
|--------------|------|-------|-------|------|-------|
| Haywood | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Henderson | 0.0% | 1.0% | 0.0% | 0.0% | 0.2% |
| Hertford | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Hoke | 0.3% | 0.0% | 0.0% | 0.0% | 0.1% |
| Hyde | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Iredell | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Jackson | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Johnston | 0.0% | 0.0% | 0.6% | 0.0% | 0.2% |
| Jones | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Lee | 0.0% | 1.6% | 10.5% | 0.0% | 4.7% |
| Lenoir | 0.0% | 0.3% | 0.0% | 0.0% | 0.1% |
| Lincoln | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Macon | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Madison | 0.0% | 0.0% | 0.2% | 0.0% | 0.1% |
| Martin | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| McDowell | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Mecklenburg | 0.0% | 0.7% | 0.2% | 0.0% | 0.2% |
| Mitchell | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Montgomery | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Moore | 0.0% | 1.3% | 0.8% | 0.0% | 0.7% |
| Nash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| New Hanover | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Northampton | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Onslow | 0.0% | 0.0% | 0.2% | 0.0% | 0.1% |
| Orange | 0.0% | 38.0% | 9.7% | 0.0% | 13.5% |
| Other | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Pamlico | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Pasquotank | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Pender | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Perquimans | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Person | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Pitt | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Polk | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Randolph | 6.7% | 0.0% | 1.0% | 0.0% | 2.3% |
| Richmond | 0.3% | 0.0% | 0.0% | 0.0% | 0.1% |
| Robeson | 0.0% | 0.3% | 0.2% | 0.0% | 0.2% |
| Rockingham | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Rowan | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Rutherford | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Sampson | 0.0% | 0.0% | 0.2% | 0.0% | 0.1% |
| Scotland | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Stanly | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Stokes | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Surry | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Swain | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Transylvania | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Tyrrell | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

| | | | | | |
|--------------------|--------|--------|--------|--------|--------|
| Union | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Vance | 0.0% | 0.0% | 0.2% | 0.0% | 0.1% |
| Wake | 4.6% | 2.6% | 22.7% | 0.0% | 11.2% |
| Warren | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Washington | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Watauga | 0.0% | 0.7% | 0.0% | 0.0% | 0.2% |
| Wayne | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Wilkes | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Wilson | 0.0% | 0.0% | 0.2% | 0.0% | 0.1% |
| Yadkin | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Yancey | 0.0% | 0.3% | 0.0% | 0.0% | 0.1% |
| Georgia | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| South Carolina | 0.0% | 1.6% | 0.0% | 0.0% | 0.4% |
| Tennessee | 0.0% | 0.7% | 0.0% | 0.0% | 0.2% |
| Virginia | 0.0% | 1.3% | 0.0% | 0.0% | 0.3% |
| Other Out of State | 0.0% | 26.6% | 0.4% | 0.0% | 6.8% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| Nursing Facility | Chatham County Admissions |
|--|---------------------------------|
| Siler City Care and Rehabilitation Center | 296 |
| Carolina Meadows Health Center | 28 |
| The Laurels of Chatham | 188 |
| The Arbor | 70 |
| Subtotal | 582 |
| | |
| Total Admissions | 1213 |
| Total Admissions Excluding the two CCRCs* | 838 |
| | |
| Percent of Admissions All facilities | 48% |
| Percent of Admissions Excluding the CCRCs (Carolina Meadows and The Arbor) | 58% |

* Equals Total Admissions from Siler City + The Laurels

Attachment G

PDA

C O N V E R S A T I O N L O G

| | | | |
|-----------------|--|--|--|
| DATE: | 9/12/13 | TIME: 10 AM | INITIATED BY: Jamal Jones, PDA |
| SUBJECT: | Licensure and Medicare/Medicaid Certification Timeline | | |
| WITH: | Becky Wertz | COMPANY: Division of Health Service Regulation, Nursing Home Licensure and Certification | |
| Phone X | In Person | PHONE #: 919-855-4580 | |

NOTES

According to Ms. Becky Wertz, Division of Health Service Regulation, Nursing Home Licensure and Certification, the process for licensure and certification of a new nursing home will occur in the following manner:

- 1) Construction is completed, and the facility receives an initial operating license. The facility can admit patients, but will only be reimbursed for private pay patients.
- 2) Once licensed, the facility submits an 855A form to the Centers for Medicare and Medicaid Services (CMS). She specifically mentioned the MAC, Medicare Audit Contractor, but said it is still a part of CMS. The applicant can submit an 855A form before it receives its licensure, but CMS will not consider the application until it is notified by the State that the facility has received licensure. CMS then reviews the application. This process usually takes a minimum of a few weeks but is often longer.
- 3) CMS approves a Medicare provider number and notifies the provider and the State. The provider then requests a Certification Survey by the State.
- 4) The state is expected to provide a CMS certification survey within 3 weeks of the request. However, CMS has instructed the State Licensure division that Certification Surveys are not a priority. The 3 week requirement can be exceeded if the Licensure Division is short-staffed or facing other stresses.
 - a. The State Licensure Division is currently short-staffed. They are not meeting the 3-week requirement. They have no plans to do so in the near term and will not be able to address staffing issues in the near future. Delays in certification surveys should be anticipated.
- 5) If the facility is found deficiency free during its Certification Survey, the facility can apply for a Medicaid provider number. If not the facility, will be re-surveyed after the conditions of deficiency have been addressed.

- 6) Once a survey is completed with no deficiencies, the Licensure Division notifies the Division of Medicaid that it has been approved for Medicaid approval. The Medicaid provider number is granted by the Division of Medicaid, not Licensure.
 - a. For additional information, one should talk to Debbie Moyer at Medicaid (919-855-4070)
- 7) Providers have stated to Ms. Wertz that approval has been very slow and challenging. Delays are expected.
- 8) Once a Medicaid provider number is granted, the facility can expect back payments for Medicaid patients admitted only from the time the survey is completed. Providers will receive no reimbursement for Medicaid patients admitted prior to the completion of the Certification Survey.

PDA

C O N V E R S A T I O N L O G

| | | | |
|-----------------|------------------------|---|---------------------------------------|
| DATE: | 9/19/13 | TIME: 10:41 AM | INITIATED BY: Jamal Jones, PDA |
| SUBJECT: | Water and Sewer Access | | |
| WITH: | Leonard McBride III | COMPANY: Public Utilities Director, Chatham County | |
| Phone X | In Person | PHONE #: 919-542-8270 | |

NOTES

I called Mr. McBride to ask him to clarify "domestic demand" only. He used the term in his letter clarifying water access for the proposed location of Chatham Health and Rehab Skilled Nursing Facility at 460 Henley Road (Exhibit 21 of their application). According to Mr. McBride, domestic demand is for "home-type" services only. This includes: washing, showers, sinks, toilets, etc. This does not include sprinkler systems and/or laundry. A laundry is considered for "domestic use" within limits as defined by NCDENR (North Carolina Division of Environment and Natural Resources). For a skilled nursing facility the limitation is the following:

- 60 gallons per bed per day if there is no laundry on site
- 120 gallons per bed per day if there is no laundry on site.

A sprinkler system would require additional water access. A licensed engineer from the county would determine if the system can supply the water needed for additional demand. It is not clear if system can handle it. That test can be done for \$400.00.

I (Jamal Jones) completed the call to Mr. McBride at 10:55 A.M.

PDA

C O N V E R S A T I O N L O G

| | | | |
|-----------------|---------------------------------|--|---------------------------------|
| DATE: | 7/22/13 | TIME: 130p | PDA Job #: 66-6026-13 |
| CLIENT | UHS-Pruitt | PROJECT: Chatham County NH CON | PruittHealth-Chatham |
| SUBJECT: | Location of the proposed SNF | INITIATED BY: TW | |
| WITH: | Care Planners at Chatham NHs | COMPANY: Siler City & Laurels | |
| Phone | Phone Call | | |

Alzheimer's Care Units (ACUs) in Chatham County

TW Ghost Calls 7/22/13

The Laurels of Chatham County – 140-beds in Pittsboro, NC (38% of Chatham residents)

- 16 skilled beds – currently full with a wait-list of undetermined length or duration
 - She mentioned sporadic turn-over: death, bed-ridden, short-term care
- Locked and gated unit, separate from the general population
- Also offer specialized Alzheimer's short-term care

Siler City Center (Genesis) – 150-beds in Siler City, NC (85% of Chatham residents)

- 30 skilled beds – currently have beds available, but only opened a few months
- Devoted wing, locked separate from general population: 3 sitting rooms w/ activities tables and TV, own dining room/group activity room, activities program
- CNAs/LPNs serving the unit all have additional Dementia training
- Devoted ACU therapy department: STs/OTs that serve the ACU also have the additional specialized training