ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

DECISION DATE: January 20, 2012
PROJECT ANALYST: Bernetta Thorne-Williams
CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: P-8709-11/ Crystal Coast Hospice House and Home Health and Hospice Care, Inc/ Develop a new hospice facility consisting of six hospice inpatient beds and four hospice residential care beds / Carteret County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

(1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

The applicants, Crystal Coast Hospice House (Lessor) and Home Health and Hospice Care, Inc (Lessee) propose to develop a new hospice facility to consist of six hospice inpatient beds and four hospice residential care beds in Newport, in Carteret County. The 2011 State Medical Facilities Plan (SMFP) identifies an adjusted need determination for six hospice inpatient beds in Carteret County. The applicants propose to develop no more than six hospice inpatient beds, thus the application is conforming to the need determination in the 2011 SMFP. There are two policies applicable to the review of this proposal. Those policies are; Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, both policies are located on page 40 of the 2011 SMFP.

Policy GEN-3 states:

"A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document

its plans for providing access to services for patients with limited financial resources and demonstrates the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area."

Promote Safety and Quality

In Section III.3, pages 73-74, the applicants state:

"The proposed project will be administratively and clinically organized to provide safe and high quality hospice services. CCHH will be operated by 3HC, an organization that is recognized for its excellence in care delivery. Each of 3HC's home health and hospice programs are accredited by Community Health Accreditation Program (CHAP), ... In addition, the following is a list of 3HC quality measures:

- *CHAP accredited*
- *State licensed*
- *Ongoing monitoring of adverse events*
- *Patient satisfaction survey measured via CAHPS* [sic] *and internally*
- *Ongoing audit of care delivery processes*
- *Corporate support of staff to acquire certifications*
- *Employees are experienced, bonded, insured, and thoroughly screened with background, criminal and reference checks*
- *RN supervision on all levels of care*
- *Exemplary orientation program for all new staff*
- *Support new staff with preceptor program*
- *Fully integrated Compliance Program includes HIPPA privacy and security*

3HC maintains active membership in the Association for Home and Hospice Care of North Carolina (AHHCNC), the National Association for Home care (NAHC), and the National Hospice and Palliative Care Organization (NHPCO).

...

Performance Improvement Plan

3HC has a plan for continually improving organizational performance. Performance improvement activities are focused on clinical and non-clinical objectives. 3HC has established Performance Improvement Plan that monitors, on an ongoing basis, the functions of the organization, and the organization's progress towards maintaining the ideals stated in its mission statement. The Performance Improvement Plan is communicated throughout the company, and the plan is implemented on an organization-wide basis. ...

3HC requires all employees and contract staff to participate in initial orientation, ongoing in-service education, and have regular performance evaluations. Licensed staff members are required to maintain their respective licensure and attend mandatory and certification programs related to patient safety, infection control, CPR and emergency preparedness."

The applicants provide additional information about its quality and safety practices in Section II.3, pages 34-35, and Exhibit 9.

The applicants adequately demonstrate that CCHH will promote safety and quality care.

Promote Equitable Access

In Section III.3, pages 72-73, the applicants state:

"CCHH, via its operator 3HC, will have a policy to provide all services to all terminally ill patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay, or any other factor that would classify a patient as underserved. Furthermore, patients who need longer stay residential care because they no longer have a capable caregiver in the home, represent a generally underserved population. CCHH has demonstrated its commitment to addressing the needs of this underserved population through the development of the proposed inpatient and residential hospice facility. Therefore, ... , the proposed project will provide Carteret County with the necessary capacity to provide high quality inpatient and residential hospice care in an appropriate and cost-effective setting."

The applicants adequately demonstrate that medically underserved groups will have equitable access to the proposed services. See Criterion 13 for further discussion.

Maximize Healthcare Value

In Section III.3, pages 71-72, the applicants state:

"CCHH's proposal is cost effective. The findings of a major study of hospice care in America, show that hospice services save money for Medicare, and bring quality care to patients with life-limiting illness and their families. Researchers found that hospice reduced Medicare costs by an average of $2,309 per hospice patient.

According to the study, for cancer patients, hospice use decreased Medicare cost up until 233 days of care. For non-cancer patients there were cost savings seen up until 154 days of care. Additionally, the study found Medicare costs would be reduced for seven of 10 hospice recipients if hospice has [sic] *been used for a longer period of time.*

...

[T]*he proposed project will have a positive impact on cost effectiveness for patients. Currently, hospice patients requiring inpatient hospice care are admitted to a local hospital when local hospice inpatient services are unavailable. This often results in incurred cost far greater than those incurred if admitted to a more appropriate and less expensive hospice facility setting.*

The proposed project will expand local hospice inpatient services specifically designed to maximize efficiency and maximize costs. Upon licensure of CCHH's hospice inpatient and residential facility, CCHH will be the only existing provider of hospice facility services in the service area, operating six inpatient and four residential hospice beds, Thus, locating the proposed six inpatient hospice beds in a newly constructed facility that is easily accessible for residents throughout the service area provides a location for patients and families seeking hospice care.

Additionally, CCHH's proposed project reflects a cost-effective alternative for improving access to palliative care services in the local service area. As a hospice provider, 3HC will endeavor to contain and control costs, including for staffing, supplies and services."

The applicants adequately demonstrate that the proposed project will maximize healthcare value. See Criterion (5) for discussion. The applicants demonstrate that projected volumes for the proposed new inpatient and residential hospice beds incorporate the basic principles in meeting the needs of patients to be served. Therefore, the application is consistent with Policy GEN-3.

Policy GEN-4 states:

"Any person proposing a capital expenditure greater than $2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project's plan to assure improved energy efficiency and water conservation.

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

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in

paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

In Section VIII.1, page 118, the applicants state the total capital cost of the project is projected to be $3,973,067 with a total working capital of $204,000. In Section III.2, page 75, the applicants state:

"CCHH is designing the proposed facility project to be in compliance with all applicable federal, state, and local requirements for energy efficiency and consumption. ... The proposed facility will be managed by modern energy and building management systems for effective and efficient operations. Some examples include:

- *Watt-stopper software to reduce energy consumption during off-peak times.*
- *Low flow plumbing fixtures, including toilets, showerheads and faucets.*
- *Low-energy windows*
- *Increased use of natural lighting.*
- *Water reclamation for irrigation."*

In Exhibit 14, the applicants provide a copy of a letter from the Burke Design Group, PA, which further describes how the project will assure improved energy efficiency and water conservation.

The applicants adequately demonstrate the proposal includes improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

In summary, the applicants adequately demonstrate the need for the proposal. The application is conforming to the adjusted need determination in the 2011 SMFP and is consistent with Policy GEN-3 and Policy GEN-4. Therefore, the application is conforming to this criterion

(2) Repealed effective July 1, 1987.

(3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicants, Crystal Coast Hospice House (CCHH) and Home Health and Hospice Care, Inc (3HC) propose to construct a new six bed hospice inpatient facility with four hospice residential care beds.

Population to be Served

In Section III.4(C), the applicants provide a map which illustrates its primary service area of Carteret County and its secondary service area of Onslow, Craven, Jones and Pamlico County.

In Section III.10 and 12, pages 82-83, the applicants provide the projected patient origin for the first two years of operation for both its hospice inpatient and residential care beds, as shown in the table below:

	FY 2014		FY 2015	
County	**Projected # of Patients**	**Percent of Total Patients**	**Projected # Patients**	**Percent of Total Patients**
Carteret	136	64.2% *	141	63.2%*
Onslow	43	20.3%	45	20.2%*
Craven	27	12.8%	28	12.6%
Jones	3	1.4% *	5	2.2% *
Pamlico	3	1.4% *	4	1.8% *
TOTAL	**212**	**100.0%**	**223**	**100.0%**

*Indicates a slight difference in what the applicants reported on page 82 of the application, as calculated by the project analyst. For FY 2014 the percentage reported by the applicants are *Carteret 63.9%; Jones1.6% and Pamlico 1.3%.* For FY 2015 the applicants report *Carteret 63.0%, Onslow 20.0%, Jones2.4% and Pamlico 1.9%.*

The applicants adequately identified the population projected to be served by the proposed facility.

Demonstration of Need

In Section III.1, page 37, the applicants state:

"There are a number of qualitative and quantitative factors that support the need for six hospice inpatient beds and four hospice residential beds in Carteret County:

- *The population in Carteret County is continuing to both increase and age, with growing need for local hospice inpatient service.*
- *The population of Carteret County suffers from several hospice-related diagnoses, such as cancer and heart disease at a higher rate compared to the state.*
- *Carteret County's Hospice Days of Care and Deaths are increasing at considerably faster rates compared to the State as a whole.*
- *Travel from Carteret County to existing eastern North Carolina hospice inpatient facilities is disruptive, expensive, and time-consuming for local residents.*
- *Capacity of eastern North Carolina hospice inpatient facilities is limited, and is often at or near capacity.*
- *Community support for hospice inpatient bed in Carteret County is extremely strong.*
- *A new hospice inpatient facility located in Carteret County supports the 2011 SMFP' three basic principles of quality, access, and value."*

In Section III.1, pages 37-70, the applicants briefly discuss the above factors. In the tables below, the applicants state the projected population growth for Carteret County and illustrate its projected age 65+ population growth.

Carter County Projected Population Growth

	2011	*2012*	*2013*	*2014*	*2015*	*2016*	*11-16 Growth*
Carteret County	*67,708*	*68,703*	*69,699*	*70,695*	*71,692*	*72,686*	*7.4%*

Source: North Carolina Office of State Budget & Management, updated April 21, 2011

Projected Population Age 65+

	2011			***2016***		
	65+	***Total***	***% of Total***	***65+***	***Total***	***% of Total***
Carteret County	*14,805*	*66,025*	***22.42%***	*17,541*	*69,308*	***25.31%***
North Carolina	*1,250,409*	*9,656,822*	*12.95%*	*1,472,565*	*10,337,681*	*14.24%*

Source: North Carolina Office of State Budget & Management, updated September 8, 2010

As illustrated in the table above, the applicants project that the 65+ population of Carteret County will grow by 2,736 [17,541-14,805=2,736] people from 2011 to 2016. In Section III.1, page 38, the applicants state:

> *"*[T]*he aging of the baby boomer generation will place greater demands on healthcare providers, as the community's demand for healthcare services continue to grow. Carteret County has a significantly older population compared to the State. This demographic factor is also projected to increase in the next five years."*

The applicants further state in Section III.1, pages 39-40:

> *"The population age 65 and older makes up a substantial portion of Carteret County's total population as compared to the State overall. The Carteret County population of age 65 and older is projected to increase 18.5% during the next five years. This is more than two times faster than the overall growth of the county, which is projected to increase by 7.4% during the next five years. Notably, the growth in population age 65 and older represents more than 80% of the absolute population increase in Carteret County during the next five years. ...*
>
> ...
>
> *It is important to recognize the aging population in Carteret County, due to the correlation of age and hospice use. Since hospice is designed to provide end-of-life care, the vast majority of hospice patients are typically age 65 and older. According to the National Hospice and Palliative Care Organization (NHPCO) 83 percent of hospice patients are aged 65 and older. ..."*

The Carolinas Center for Hospice and End of Life Care's annual report, Hospice Data & Trends illustrates some highs and lows in the percentage of Carteret deaths served by hospice

from 2005 through 2010. The table below shows the percent of Carteret County deaths served by hospice and the rank of Carteret County compared with other NC counties for years 2005 – 2009.

Year	Percent Carteret County Deaths Served by Hospice	Carteret County Rank Among NC Counties
2005	20.84%	65
2006	22.30%	71
2007	37.43%	48
2008	29.12%	49
2009	29.40%	55

The above table illustrates that the percentage of Carteret County resident deaths among those who received hospice care since 2005 has increased with its largest percentage of 37.43% patients being served in FY 2007. Carteret County deaths served by hospice services tapered off in FY 2008 and FY 2009, but has remained consistent at slightly above 29%.

In Section III.1, pages 40-45, the applicants discuss disease incidence and death rate correlation for those patients seeking hospice services for end of life care. The applicants state:

"Hospice use is higher for diseases that impose a high burden on caregivers. According to the Carolina Center for Hospice and End of Life Care, cancer diagnoses account for 38.9 percent of al North Carolina hospice admissions. Additional diagnoses served by hospice include heart disease (12.1 percent of admissions), debility unspecified (13.7 percent), dementia (12.5 percent) and lung disease (9.6 percent). ...

...

Cancer Statistics

According to The North Carolina Central Cancer Registry, the 2008 age-adjusted rate of cancer in Carteret County was 577.3 per 100,000 people. This is 18.3 percent higher than the North Carolina cancer incidence rate of 488.2 per 100,000 population. Additionally, Carteret County cancer incidence for individuals 65 and older was 2,693.7 per 100,000 for 2008. This is also higher than the North Carolina cancer incidence rate for individuals 65 and older (2,104.2 per 100,000). Please refer to the following table.

	All Age Groups Age Adjusted Rates Per 100,000	*65+ Age Specific Rates Per 100,000*
Carteret County	*577.3*	*2,693.7*
North Carolina	*488.2*	*2,104.2*

Source: NC Central Cancer Registry, July 2011. NC State Center for Health Statistics

Carteret County also suffers disproportionately from specific cancers. Incidence Rates for lung and prostate cancer are higher compare to North Carolina cancer incidence rates.

...

In addition to experiencing comparatively higher cancer incidence rates, Carteret County also exhibits higher cancer mortality rates compared to North Carolina for some cancers."

In Section III.1, pages 42-43, the applicants provide the 2003-2007 county and state age-adjusted cancer incidence rate (per 100,000 population) and the 2005-2009 county and state cancer mortality rates (per 100,000), as illustrated in the table below.

Cancer	Area	Incidence Rate		Death Rate
Lung/ Bronchus	North Carolina	76.3		57.1
	Carteret County	82.1		66.1
Breast	North Carolina	151.9	All Cancers	185.8
	Carteret County	164.9		202.1

Source: Application, pages 42-43

In Section III.1, pages page 43-45, the applicants state that Alzheimer, heart and lung disease are also leading causes of death in Carteret County. The applicants state:

Alzheimer's disease

"... Alzheimer's disease accounts for 50 to 80 percent of dementia cases. Carteret County has a comparatively higher mortality rate due to Alzheimer's disease compared to North Carolina as whole. ...

...

Alzheimer's disease is a progressive disease, where dementia symptoms gradually worsen over a number of years. This can often impose high burdens on family caregivers. These families often utilize hospice services. The aging population will continue to drive the high number of Alzheimer's disease related deaths in Carteret County. This is additional evidence that Carteret County patients will continue to demand hospice services.

Heart Disease

According to the NHPCO, the fourth most common diagnosis for patients served by hospice is heart disease. Heart disease is the second most common cause of death in North Carolina. Carteret County has a comparatively higher mortality rate due to heart disease compared to North Carolina as a whole. ...

...

... The aging population will continue to drive the high number of heart-disease related deaths in Carteret County."

In Section III.1, page 44, the applicants provide the 2005-2009 statistics for death rates due to Alzheimer and heart disease in Carteret County and the State, as illustrated in the table below.

	Alzheimer's Disease Death Rate 2005-2009	**Heart Disease Death Rate 2005-2009**
North Carolina	27.4	192.2
Carteret County	34.9	268.1

Source: Application, page 43

In Section III.1, pages 46-48, the applicants discuss the geographic need for a hospice inpatient facility in Carteret County. The applicants state:

"Carteret County, bordered on the north by the Pamlico Sound and east and south by the Atlantic Ocean, is defined by water. The county stretches over 526 square miles of land along the North Carolina coast. With many parts of the county separated by bodies of water, it is difficult for residents to travel easily and quickly throughout the county. There are no interstates that run through Carteret County and U.S. Highway 70 serves as the only main corridor which runs east to the Atlantic cost and west to Raleigh. The closest interstate highway (I-40) is located 63 miles away, and the closest airport is located in New Bern, which is over 30 miles away. With many areas of Carteret County being geographically isolated, traveling long distances away from home can be challenging and time-consuming for local residents.

Currently, Carteret County does not host a hospice inpatient facility. Hospice patients in need of inpatient services must be referred to out-of-county facilities. Travel time for family members visiting their loved ones in out-of-county hospice facilities can be very long, especially while driving through a geographically isolated county. ...

The closest hospice inpatient facilities are located in Greenville (Pitt County) and Kenansville (Duplin County). These facilities are over an hour and a half away from Morehead the county seat, which is located centrally within Carteret County. In addition, each facility is 2 ½ hours away from Cedar Island, a coastal community located on the eastern tip of Carteret County. The other two facilities, located in Wilmington and Goldsboro, are located even further away. ...

...

Not only are regional hospice inpatient facilities located a significant distance from Carteret County residents, regional inpatient facilities are also highly utilized. Based on FY 2010 utilization, regional hospice inpatient facilities averaged between 92.1 percent occupancy. Thus, there is severely limited access for Carteret County residents."

In Section III.1, page 47, the applicants provide the drive time to regional hospice inpatient facilities from Carteret County and the 2010 occupancy rate for those hospice inpatient facilities, as summarized in the following table.

		Drive Time		FY 2010 %
Facility	**County**	**Morehead City**	**Cedar Island**	**Occupancy**
UHS Inpatient Hospice	Pitt	1.68 hrs	2.52 hrs	92.9%
Carolina East Home Care and Hospice	Duplin	1.70 hours	2.53 hrs	64.3%
3HC/Kitty Askins Hospice Center	Wayne	1.72 hrs	2.55 hrs	111.2%
Lower Cape Fear Hospice	New Hanover	1.92 hrs	2.75 hrs	100.0%

In Section III.I, page 48, the applicants state:

> *"When inpatient hospice services are not available, hospice patients are often admitted to the local hospital or skilled nursing facility. Patients may receive end-of-life care in these settings, which are (appropriately) designed to provide general acute care instead of palliative care. The cost of proving such care ... is also ... expensive, and less cost effective compared to care administered in a hospice inpatient facility setting."*

Inpatient Utilization Projections

In Section IV.2(a), page 88, the applicants provide the projected utilization for CCHH for the first two years following completion of the project by level of care, as shown in the table below.

	Inpatient				Residential			
QTR	**Patient Days**	**% Occupancy**	**# Beds**	**Total Patients**	**Patient Days**	**% Occupancy**	**# Beds**	**Total Patients**
1st	424	77.4%	6	45	347	95.0%	4	11
2nd	424	77.4%	6	45	347	95.0%	4	11
3rd	424	77.4%	6	45	347	95.0%	4	11
4th	424	77.4%	6	45	347	95.0%	4	11
Total FY2014	**1,696**	**77.4%**	**6**	**180**	**1,388**	**95.0%**	**4**	**44**
	Inpatient				**Residential**			
QTR	**Patient Days**	**% Occupancy**	**# Beds**	**Total Patients**	**Patient Days**	**% Occupancy**	**# Beds**	**Patient Days**
1st	447	81.6%	6	47	356	97.5%	4	12
2nd	447	81.6%	6	47	356	97.5%	4	12
3rd	447	81.6%	6	47	356	97.5%	4	12
4th	447	81.6%	6	47	356	97.5%	4	12
Total FY2015	**1,788**	81.6%	6	**188**	**1,424**	97.5%	**4**	**12**

Note: The applicants state throughout the application that "totals may not foot due to rounding". The project analyst adjusted the FY 2014 patient days for residential services totals to 1,388 instead of 1,387; FY 2015 patient days for inpatient services to 1,788 from 1,786 and total inpatient patients to 188 from 190, as reported by the applicant on page 88 of the application.

In Section III.1, pages 55-56, the applicants state:

"[D]uring FY 2010, Carteret County experienced a decrease in the number of hospice admissions. This decrease is inconsistent with the historical trend of hospice utilization in Carteret County and primarily attributed to the utilization of one hospice provider (Hospice of Carteret County). Based on recent conversations with Hospice of Carteret County, CCHH has concluded that the FY 2010 decrease in hospice utilization was an anomaly and will not result in a decreasing trend in hospice utilization in the future. ... Hospice of Carteret County (along with numerous other hospice agencies) support the proposed hospice inpatient facility and has documented their intent to refer patients to the proposed facility. Additionally, the applicants have provided specific detail regarding demographic and epidemiologic factors that will contribute to the ongoing need fro and growth of hospice services in Carteret County.

To project overall hospice admissions for the counties in the primary and secondary service area, CCHH applied the four-year compound annual growth rate (3.9%) to FY 2010 utilization for Carteret, Onslow, Hones and Craven counties. CCHH utilized Pamlico County's four-year compound annual growth rate of (1.7%) to project hospice admissions in Pamlico County."

In Section III.1, pages 55-56, the applicants provide the historical and projected admissions for hospice patients for its primary and secondary service areas, as illustrated in the table below.

	Historical Days of Care					
County	***FY 2006***	***FY 2007***	***FY 2008***	***FY 2009***	***FY 2010***	
Carteret	*14,052*	*18,736*	*20,724*	*21,582*	*16,350*	
Onslow	*13,616*	*16,250*	*16,477*	*18,878*	*19,716*	
Jones	*1,043*	*4,981*	*5,302*	*4,201*	*3,882*	
Pamlico	*3,303*	*2,057*	*2,488*	*3,280*	*3,538*	
Craven	*15,686*	*22,434*	*37,962*	*38,493*	*38798*	
	Projected Hospice Admissions					
County	***FY 2011***	***FY 2012***	***FY 2013***	***FY 2014***	***FY 2015***	***FY 2016***
Carteret	*234*	*243*	*252*	*262*	*272*	*282*
Onslow	*329*	*342*	*355*	*369*	*383*	*398*
Jones	*56*	*58*	*60*	*63*	*65*	*68*
Pamlico	*66*	*67*	*68*	*70*	*71*	*72*
Craven	*402*	*417*	*434*	*450*	*468*	*486*

Source: Carolinas Center for Hospice and End of Life Care, FY 06-FY 10 data reports

As illustrated in the table above, the applicants assumed the hospice admissions would increase for Carteret County patients by 234 in FY 2011 and by an additional 272 admissions by the second year (FY 2015) of the proposed project.

The methodology and assumptions used to project Carteret County hospice service utilization is provided in Section III.1, pages 54-69 and are outlined below.

Step 1) The applicants reviewed and compiled historical utilization data for Carteret County Hospice services from FY2006 – FY2010 for the primary and secondary service areas, as shown in the table above.

Step 2) The applicants calculated the average length of stay (ALOS) for hospice admission for Carteret County residents for FY 2010, as follows:

FY 2010 Hospice Average Length of Stay

Statewide Median ALOS	Carteret Co. ALOS	Onslow Co. ALOS	Jones Co. ALOS	Pamlico Co. ALOS	Craven Co. ALOS
80.5	72.7	62.2	71.9	54.4	100.3

Source: Carolinas Center for Hospice and End of Life Case, FY 2010 Hospice Data & Trends
ALOS = Hospice Days of Care + Hospice Admissions

The applicants calculated projected hospice days of care, by applying the lower of each county-based ALOS compared to statewide ALOS, as illustrated in the table below:

Projected Hospice Days of Care FY 2011 – FY 2016

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Carteret Co. Days of Care	16,981	17,636	18,317	19,024	19,758	20,520
Onslow Co. Days of Care	20,477	21,267	22,088	22,940	23,826	24,745
Jones Co. Days of Care	4,032	4,187	4,349	4,517	4,691	4,872
Pamlico Co. Days of Care	3,599	3,662	3,725	3,790	3,855	3,922
Craven Co. Days of Care	32,356	33,604	34,901	36,248	37,647	39,100

Totals may not foot due to rounding

Step 3) The applicants projected the inpatient days of care, by multiplying the projected total hospice days of care by six percent [example: 16,981 (Carteret Co. days of care) x 0.6% = 1018.8 rounded = 1,019], as illustrated in the table below.

Projected Hospice Inpatient Days of Care FY 2011 – FY 2016

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Carteret Co. IP Days of Care	1,019	1,058	1,099	1,141	1,185	1,231
Onslow Co. IP Days of Care	1,229	1,276	1,325	1,376	1,430	1,485
Jones Co. IP Days of Care	242	251	261	271	281	292
Pamlico Co. IP Days of Care	216	220	224	227	231	235
Craven Co. IP Days of Care	1,941	2,016	2,094	2,175	2,259	2,346

Totals may not foot due to rounding

Step 4) The applicants projected to capture 95% of the inpatient market share in Carteret County, based on the following factors:

- *"Carteret County residents are geographically isolated and have very limited access to regional hospice inpatient facilities. ...*
- *CCHH has received letters of support from hospice agencies currently serving Carteret County patients. These agencies comprise 99% of the FY 2010 market share*

for Carteret County hospice admissions. Based on verbal and written indications of support, CCHH anticipates that it will receive admissions from hospice agencies that serve Carteret County.

- *CCHH has received letters of support from many physicians who treat Carteret County residents.*
- *CCHH's projection of 95% market share assumes that 5% of Carteret County patients may seek inpatient services elsewhere, if they desire.*

CCHH projects that it will serve some patients from adjacent counties. Craven, Jones, Onslow, and Pamlico counties do not currently host to [sic] *a hospice inpatient facility. Many residents of these counties live in areas that are geographically proximate to Carteret County. ...*

... CCHH projects the following inpatient market shares for the counties in its secondary service area. Note – projected market share [for the primary and secondary service areas] *is for hospice inpatient admissions at the proposed facility only, not total county hospice admissions. "*

Crystal Coast Hospice House
Secondary Service Area
Projected Inpatient Market Share

	FY 2014	***FY 2015***	***FY 2016***
Onslow Co. IP Market Share	*25.0%*	*25.0%*	*25.0%*
Jones Co. IP Market Share	*10.0%*	*15.0%*	*15.0%*
Pamlico Co. IP Market Share	*10.0%*	*15.0%*	*15.0%*
Craven Co. IP Market Share	*10.0%*	*10.0%*	*10.0%*

The applicants based their projections for market share on factors previously discussed above with the exception of the following:

- *"CCHH will improve access to hospice inpatient services for many residents in adjacent counties. CCHH will be closer for many residents of adjacent counties compared to other regional hospice inpatient facilities.*
- *CCHH has received letters of support from hospice agencies currently serving Craven, Jones, Onslow and Pamlico county patients. The combined FY 2010 hospice market share for these agencies (as documented in the Proposed 2012 SMFP) is well over the projected market share projected by CCHH.*

CCHH contacted the regional hospice agencies that also provide hospice services to residents of Carteret, Craven, Jones, Onslow and Pamlico counties ... . In response ... CCHH received letters of support with statements of intent to refer patients to the proposed facility from numerous hospice agencies and healthcare providers serving patients from the proposed service area."

Step 5) The applicants project the hospice inpatient days of care at CCHH applying the projected market share in step 4 to the projected inpatient days of care in step 3, as illustrated in the table below:

Crystal Cost Hospice House
Projected Inpatient Days of Care
FY 2014- FY 2016

	FY 2014	**FY 2015**	**FY 2016**
Carteret Co. IP Days of Care	*1,084*	*1,126*	*1,170*
Onslow Co. IP Days of Care	*344*	*357*	*371*
Jones Co. IP Days of Care	*27*	*42*	*44*
Pamlico Co IP Days of Care	*23*	*35*	*35*
Craven Co. IP Days of Care	*217*	*226*	*235*
Total IP DOC	***1,696***	***1,786***	***1,855***
% Occupancy	*77.4%*	*81.6%*	*84.7%*
Inpatient beds	*6*	*6*	*6*

Step 6) The applicants project the admissions (this includes re-admissions) and deaths at CCHH using ALOS for Kitty Askins Hospice Center, which is operated by 3HC, and located in Wayne County. The applicants project that approximately 15% of its patients will be re-admitted to the facility. CCHH projects, based on the experience of 3HC with Kitty Askins Hospice Center, 10% of its patients will be discharged to their primary care of residence prior to death. The table below projects the admissions and deaths for inpatient hospice care, as reported by the applicants in Section III, page 66, of the application.

Crystal Cost Hospice House
Inpatient Services
Projected Admissions and Deaths FY 2014- FY 2016

	Project Year 1 FY 2014	***Project Year 2 FY 2015***	***Project Year 3 FY 2016***
Number of unduplicated patients	*180*	*190*	*197*
Number of readmissions (15%)	*32*	*33*	*35*
Total admissions	*212*	*223*	*232*
Average Length of Stay	*8.0*	*8.0*	*8.0*
Total Patient Days	*1,696*	*1,786*	*1,855*
Patients Discharged to Home (10%)	*18*	*19*	*20*
Patients Transferred to Residential Bed (20%)	*36*	*38*	*39*
Projected Inpatient Deaths	*126*	*133*	*138*

The applicants further stated in Section III, page 68:

> *"CCHH projects to serve approximately 36 percent of hospice deaths in Carteret County during the third year of the proposed project. ... CCHH has received support from numerous hospice agencies serving patients from Carteret and surrounding counties as well as letters of support from physicians and hospitals. The projected utilization for the proposed inpatient facility is attainable and reasonable."*

The specific methodology and assumptions the applicants used for projecting residential utilization are found in Section III, pages 69 -70, and are outlined below.

"CCHH proposes to develop four residential beds as part of the proposed project. CCHH projects the four residential beds will be fully utilized at 95 percent occupancy during Year One and 97.5 percent occupancy during Year Two and Three, respectively.

Based on FY2011 YTD utilization, the residential ALOS at Kitty Askins Hospice Center is 50 days. This is higher compared to the estimated residential ALOS for North Carolina. According to the Carolinas Center for Hospice and End of Life care, during FY2010 there were 41,790 residential days of care and 925 deaths, or and estimated ALOS of 45.2. Therefore, to remain conservative, CCH projects resident ALOS based on 60 percent of the FY2011 ALOS for residential patients at Kitty Askins Hospice Center (60% x 50 = 30 days). ....

... CCHH conservatively estimates that 20 percent of inpatients will be transferred to a residential bed .... Additionally, CCHH projects that some patients will be admitted directly to a residential bed that did not previously require inpatient care. The following [table] *provides projected utilization for the proposed residential beds."*

Crystal Cost Hospice House
Projected Residential Days of Care

	Project Year 1 FY 2014	***Project Year 2 FY 2015***	***Project Year 3 FY 2016***
Hospice Residential Facility Days	*1,387*	*1,424*	*1,424*
Projected Residential Patients	*46*	*47*	*47*
Occupancy rate – 4 beds	*95.0%*	*97.5%*	*97.5%*
ALOS	*30*	*30*	*30*

In summary, the applicants' projected utilization for hospice inpatient beds and hospice residential care beds is reasonable, based on the assumptions and methodology stated in the application. The applicants adequately identify the population to be served and adequately demonstrate the need the population has for the six hospice inpatient beds and the four hospice residential care beds at the proposed hospice facility. Consequently, the application is conforming with this criterion.

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

NA

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

CA

In Section III.13, pages 83-86, the applicants discuss four alternatives it considered prior to the submission of the application, including maintaining the status quo, pursuing a joint venture, developing an inpatient facility in another location and the proposed project. The application is conforming or conditionally conforming to all applicable statutory and regulatory review criteria. See Criteria (1), (3), (5), (6), (7), (8), (12), (13), (18a) and 10A NCAC 14C .4000, Criteria and Standards for Hospice Inpatient Facilities and Hospice Residential Care Facilities. Therefore, the applicants adequately demonstrate that the proposal is an effective alternative and the application is conforming with this criterion subject to the following conditions.

1. **Crystal Coast Hospice House and Home Health and Hospice Care, Inc shall materially comply with all representations made in its certificate of need application.**

2. **Crystal Coast Hospice House and Home Health and Hospice Care, Inc shall develop and be licensed for no more than six hospice inpatient beds and four hospice residential care beds at the proposed new hospice facility in Carteret County.**

3. **Crystal Coast Hospice House and Home Health and Hospice Care, Inc shall acknowledge acceptance of and compliance with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**

(5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.1, page 118, the applicants project that the total capital cost of the project will be $3,973,067, including $689,117 for site costs, $2,037,200 for the construction contract, $375,000 for equipment and furniture, $51,000 for landscaping, $258,000 for architect and engineering fees, $50,000 for consultant and administrative fees, $23,000 for financing costs, $74,750 for interest during construction, $115,000 for other (nurse call and data system), and $300,000 for other (contingency). In Section IX, page 123, the applicants state there will be $45,000 in start-up fees and $159,000 in initial operating expenses associated with the proposed project for a total working capital of $204,000. In Section VIII.3, page 89, the applicants state that the project will be funded by several sources, as illustrated below:

o Conventional Loan	$2,277,626
o Bequests/Endorsements	$ 896,449
o Accumulated Reserves	$ 355,842
o Owner's Equity	$ 443,150
Total	$3,973,067

In Section IX.4, page 124, the applicants state that the working capital for the proposed project will be funded by unrestricted cash of the proponent. See Exhibit 17 for a copy of a letter dated July 26, 2011 from the co-chairs of the capital campaign which outlines the progress of the campaign. In supplemental information received from the applicants, the applicants state:

"As of November 21, 2011, we have received $909,413 in endorsements and bequests, and have an additional $2,888,137 receivable between now and the end of 2014."

Exhibit 17 also contains letters dated August 6 and August 8, 2011, from the Executive Director and the Finance Chairman of Crystal Coast Hospice House, respectively, which state:

"The mission and purpose of the Crystal Coast Hospice House, Inc., is to construct an inpatient hospice facility in Carteret County. It continues to be the intent of the organization to use all assets for that purpose."

Further in Exhibit 17 is a letter from the Senior Vice President of BB&T Bank, dated August 3, 2011, which states:

"We are pleased to issue this letter regarding our willingness to provide financing for the proposed 10-bed hospice inpatient and residential facility of Crystal Coast Hospice House. The Bank has examined the financial position of Crystal Coast Hospice House and found it adequate to support the proposal, based upon cash and pledges already received, coupled with expectations around additional funds to be raised and / or pledged between now and issuance of the CON.

BB&T expects to be asked to consider providing up to $2.3 million in construction / permanent funding for this project. The term of the loan is anticipated to mirror receipt of pledged funds, which are expected to be received over a five year period. While the actual rate of interest cannot be determined until time of application, the anticipated interest rate is expected to be around BB&T's Prime Rate, which is currently 3.25%.

..."

Exhibit 17 also contains a letter from the Vice President of Finance and Chief Financial Officer of 3HC dated July 26, 2011. The letter states:

"I am writing this letter to document that Home Health and Hospice Care, Inc., d/b/a 3HC has sufficient reserves to fund the working capital associated with the certificate of need application to develop a new hospice inpatient facility in Carteret County. The working capital cost of the project is estimated at less than $250,000. 3HC will fund the working capital through accumulated cash reserves. ..."

The applicants adequately demonstrate the availability of sufficient funds for the capital and working capital needs of the project.

In Pro Forma Form B, the applicants project revenues will exceed expenses in the first three years of operation following completion of the proposed project, as shown in the table below.

Projected Revenue and Expenses

	Year 1 OY13	Year 2 OY14	Year 3 OY15
Revenue	$1,355,615	$1,441,391	$1,507,029
Expenses	$1,312,810	$1,336,292	$1,404,553
Profit	$42,805	$105,099	$102,476

In Section X.3, page 131, the applicants project the following reimbursement rates and charges for the first three operating years after project completion.

Source of Payment	*OY 1 10/13-9/14*	*OY 2 10/14-9/15*	*OY 3 10/15-9/16*
Hospice Inpatient			
Self Pay	*$688.22*	*$698.55*	*$709.03*
Commercial Insurance	*$688.22*	*$698.55*	*$709.03*
Medicare	*$625.66*	*$635.04*	*$644.57*
Medicaid	*$625.66*	*$635.04*	*$644.57*
Hospice Residential Care			
Self Pay	*$154.07*	*$156.38*	*$158.73*
Commercial Insurance	*$112.05*	*$113.73*	*$115.44*
*Medicare**	*$135.96*	*$137.99*	*$140.06*
*Medicaid**	*$135.96*	*$137.99*	*$140.06*

**Reflects routine home care portion of residential care. Does not include $75.00 room and board fee associated with each residential day.*

In Section X.4, page 131, the applicants state:

"These rate estimates assume an annual increase from Medicare and Medicaid of 1.5%, and are based on the actual FY2011 Carteret County rates from Medicare and Medicaid, as displayed on the DMA website."

In summary, the applicants adequately demonstrate the availability of sufficient funds for the proposed new facility and adequately demonstrate that the financial feasibility of the proposed project is based on reasonable projections of costs and charges. Consequently, the application is conforming to this criterion.

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

C

The applicants propose to construct a new hospice facility with six hospice inpatient beds and four hospice residential care beds in Newport, pursuant to the 2011 SMFP need determination for six inpatient beds in Carteret County. See Criteria (1) for discussion on the applicants conformity with the SMFP. Furthermore, there is not currently a provider of hospice inpatient or residential services in Carteret County. Those counties that border Carteret are Onslow, Jones, Craven and Pamlico: none of these counties currently has a facility that provides inpatient or residential hospice care services. According to data obtained from the 2011 SMFP the two closest counties to Carteret County that have inpatient hospice beds are Duplin and Pitt County. Carolina East Home Care and Hospice, Inc (Duplin County) operated its three inpatient hospice beds at 56.62% and University Health Systems Inpatient Hospice (Pitt County) operated its 8 inpatient hospice beds at 60.34%, as reported in the 2011SMFP. The applicants, who propose to serve Carteret and surrounding county patients, adequately demonstrates the need for the proposal. See Criteria (3) for discussion of the applicants demonstration of need. Therefore, the applicants adequately demonstrate that the proposal would not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Consequently, the application is conforming with this criterion.

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

C

In Section VII.3(a), page 110, Table VII.2, the applicants project staffing for the proposed new six hospice inpatient beds and for hospice residential care beds in the second operating year (FY2015), as illustrated in the table below.

	Projected FTEs		Annual Consultant Hours	
	Inpatient	**Residential**	**Inpatient**	**Residential**
Routine Services				
Medical Director			104	26
Director of Nursing	.30	.20		
Registered Nurse	5.00	0.00		
LPNs	0.00	5.00		
NAs	5.00	5.00		
Dietary				
Dietician/Nutritional Cons			31	21
Social Work Services				
Social Worker	.30	.20		
Administrative				
Receptionist/Secretary	.60	.40		
Chaplain	.15	.10		
Total Positions/Hours/FTEs	**11.35**	**10.9**	**135**	**47**

In Section VII.3(a), page 111, the applicants state:

- *"Pharmacy consultation will be provided by the pharmacy contractor, as part of their normal contract with 3HC.*
- *CCHH will obtain patient meals from the local hospital, with meal pickup by hospice volunteers. Thus, cook staff is not necessary.*
- *Facility maintenance will be provided by volunteer staff, supplemented by hospital facilities staff as needed.*
- *Bereavement counseling will be provided by the chaplain and the medical social worker.*
- *Professional therapy specialists (PT/OT/ST) are not necessary. Volunteer staff will provide patient massage therapy one day per week.*
- *3HC will staff a receptionist during the day five days / week. Volunteers will serve as receptionist on the second shift and on the weekend.*
- *Facility Manager will coordinate volunteer staffing."*

In Section VII.4, page 113, the applicants state:

> *"... CCHH projects at least four direct care staff members (including one RN) will be on duty at all times in the facility."*

In the second year of operation, the applicants project to provide 9.81 nursing hours per patient day for inpatient services [17,520 nursing hours per year / 1,786 patient days of care = 10.92 CCHH].

The applicants adequately demonstrate the availability of resources, including health manpower and management personnel, for the provision of the proposed hospice services. Therefore, the application is conforming with 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.

C

In Section II.3, pages 30-33, the applicants discuss the necessary ancillary and support services that will be provided for the inpatient and residential services provided at the proposed new hospice care facility. On pages 30 and 32, the applicants state:

> *"3HC will provide services within the proposed hospice facility similar to those offered in its Kitty Askins Hospice Center in Goldsboro. 3HC currently provides hospice services to the terminally ill and is well experienced in providing the services proposed in the application.*
>
> *... 3HC will provide ancillary services as required by doctor's order. These services include radiology, lab and pathology. 3HC will provide these services, as necessary, via a prospective agreement with Carteret General Hospital"* [page 32]

See Exhibit 6 for a copy of the pharmacy service agreement with ProCare RX. Exhibits 20 through 23 contain letters of support from physicians and others for the proposed hospice six bed inpatient and four bed hospice residential care facility. The applicants adequately demonstrated the availability of the necessary ancillary and support services and that the proposed services would be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA

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

(i) would be available under a contract of at least 5 years duration;

(ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;

(iii) would cost no more than if the services were provided by the HMO; and
(iv) would be available in a manner which is administratively feasible to the HMO.

NA

(11) Repealed effective July 1, 1987.

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

C

In Section XI.7, page 143, the applicants provide the proposed square footage for the Crystal Coast Hospice House, as illustrated in the table below.

Proposed Square Footage for CCHH

	Square Feet
Total square feet at the completion of the proposed project	12,690

In Section XI.7(g), page 144, the applicants provide the following table:

Type of Bed	**Inpatient**		**Residential**		**Total Facility Beds**
	Number of Beds	SF per Bed	Number of Beds	SF per Bed	
New Beds	6	410*	4	410*	10

*Represents proposed square feet per patient bedroom, including patient toilet and shower.

In Section XI.2, page 136, the applicants state that the 11 acres located at E. Chatham Street, in Newport, was purchased by CCHH in May of 2011 to serve as the location for the proposed hospice facility. In Section XI.7(g)(2), page 145, the applicants provide the estimated square footage for each area of the proposed hospice facility, as illustrate in the table below.

Areas	Estimated Total SF
Administration	510
Lobby/entry	312
Mechanical Equipment	168
Housekeeping	80
General Storage	452
Patient Kitchen	120
Dining	400
Laundry	250
Linen Storage	140
Chapel/Consultant Room	260
Family room	390
Staff Area	805
Other Public Areas*	2,303
Patient Bedrooms	3,000
Patient Bathrooms	1,100
Walls and Circulation	2,400
Total SF	**12,690**

*Includes child play area, screened porch, family office, and family laundry.

Exhibit 14 of the application contains a certified cost estimate from Lee Dixon, AIA, of Coastal Architecture which states:

Description	Total	Gross SF	Cost per SF
Material	$207,200		
Labor	$123,200		
Sub	$1,754,800		
Equipment	$24,720		
Total	$2,109,920		
Sales Tax	$10,360		
Labor Burden	$49,280		
Performance Bond 100%	$20,000		
Building permit	$1,921		
Business License	$3,471		
General Contractors Fee	$109,748		
Builders Risk Insurance	$3,000		
Revised Cost to Date	**$2,307,700**	**12,690**	**$181.85**

Also see Exhibit 14 for the applicants' proposed energy efficiency and water conservation plan.

The applicants adequately demonstrated that the cost, design, and means of construction represent the most reasonable alternative for the applicants' proposed project and that the construction project will not unduly increase the costs and charges of providing health services. See Criterion (5) for discussion of costs and charges. Therefore, the application is conforming to this criterion.

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

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

C

Annual data provided by the Carolinas Center for Hospice and End of Life Care reports that hospice patients in North Carolina had the following payor mix during FY 2010.

NC Hospice Patients Served by Payor Mix

PAYOR	PATIENT DAYS	# PATIENTS
Hospice Medicare	91.3%	85.3%
Hospice Private Insurance	3.9%	7.1%
Hospice Medicaid	3.3%	4.6%
Self Pay / Other	1.6%	9.2%
Total	100%	100%

The following table shows North Carolina and national hospice patients by race and ethnicity for FY 2010.

Hospice Patients by Race and Ethnicity

	% OF HOSPICE PATIENTS NC DATA	% OF HOSPICE PATIENTS NATIONAL DATA
Race:		
White/ Caucasian	80.5%	80.5%
Black/ African American	15.4%	8.7%
Other Race	2.7%	8.7%
American Indian or Alaskan Native	1.0%	0.2%
Asian, Hawaiian, Other Pacific Islander	0.4%	1.9%
	100.0%	**100.0%**
Ethnicity		
Hispanic or Latino Origin	0.7%	5.3%
Non-Hispanic or Latino Origin	99.3%	94.7%
	100.0%	**100.0%**

Source: Carolinas Center for Hospice and End of Life Care

The following table shows North Carolina and national hospice patients by age groups for FY 2010, which indicates more than 80% of hospice patients in North Carolina are age 65+ and would be Medicare eligible.

Hospice Patients by Age Categories

AGE CATEGORY	% OF HOSPICE PATIENTS NC DATA	% OF HOSPICE PATIENTS NATIONAL DATA
0-34	0.8%	0.8%
35-64	17.4%	16.3%
65-74	18.4%	16.3%
75+	63.4%	66.7%
	100.0%	**100.0%**

Source: Carolinas Center for Hospice and End of Life Care

CCHH does not currently operate a licensed and certified hospice facility. However, the co-applicant, 3HC, operates a licensed and certified hospice home care agency and a licensed hospice inpatient facility in Wayne County. In Section VI, page 101, the applicants provided its FY2010 payor mix for both its patient and patient days of care at 3HC's hospice home care agency and inpatient facility, as illustrated in the table below.

3HC Hospice Payor Mix FY2010

Payor Source	Hospice Patients	Hospice Days of Care
Self Pay / Charity	0.3%	0.6%
Commercial Insurance	6.2%	2.2 %
Medicare	89.9%	95.0%
Medicaid	3.6%	2.2%
Total	**100.0%**	**100.0%**

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages as of August 2011 and CY 2009, respectively. The data in the table was obtained on January 18, 2012. More current data, particularly with regard to the estimated uninsured percentages, was not available.

	Total # of Medicaid Eligibles as % of Total Population	Total # of Medicaid Eligibles Age 21 and older as % of Total Population	% Uninsured CY 2009 (Estimate by Cecil G. Sheps Center)
Statewide	17%	6.7%	19.7%
County			
Carteret County	14%	6.6%	19.5%
Onslow*	11%	4.2%	23.4%
Craven*	15%	6.5%	19.6 %

*Indicates secondary service areas with a projected utilization higher than 1.5%.

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services provided in the six hospice inpatient and four hospice residential care services proposed in this application.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% for those age 20 and younger [Carteret County (primary service area) percentage was 49.6% for those age 20 and younger] and 31.6 % for those age 21 and older [Carteret County (primary service area) percentage was 37.5% for those age 21 and older]. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. However, as of January 18, 2012, no population data was available by age, race or gender. Even if the data were available, a direct comparison to the applicants' current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

In the 2011 Annual Licensure Renewal Application, 3HC provided their FY 2010 payor mix for hospice patients and days of care as shown in the table below:

3HC FY 2010 Payor Mix

Payor	Patients	Days of Care
Medicare	89.9%	90.0%
Medicaid	3.6%	6.1%
Private Insurance	6.2%	3.8%
Self Pay	0.3%	0.0%
Total	**100.0%**	**100.0%**

Source. 3HC's 2011 License Renewal Application

The applicants demonstrated that medically underserved populations currently have adequate access to the services offered at the co-applicant, 3HC, facilities. Therefore, the application is conforming to this criterion.

(b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by

minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.5, page 103, the applicants state:

> *"3HC has historically provided substantial care and services to all of the above persons* [elderly; Medicaid and Medicare recipients; racial and ethnic minorities; women; handicapped persons; and, other underserved persons] *at its Kitty Askins Hospice Center, and it its hospice and home care agencies. Please see Exhibit 3 for a copy of the 2011 LRA, which shows the relevant patient demographic data, indicating that 3HC has served elderly (86%), women (59%), racial and ethnic minorities (40%), and Medicaid and Medicare recipients (94%)."*

In Section VI.10, page 107, the applicants state that an unsubstantiated civil rights complaint was filed against 3HC in 2008 by two staff members. See Exhibit 5 for a copy of the applicants' Policy and Procedure regarding 3HC's admission policies. There have been no patient civil rights access complaints filed against 3HC in the last five years. Therefore, the application is conforming to this criterion.

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

C

In Section VI.4, page 102, the applicants provide the projected payor mix for hospice inpatient and residential care services for the second year of operation at the proposed new facility, as shown in the table below.

Crystal Coast Hospice House Projected Payor Mix FY2015

Payor Source	Hospice Inpatient Days of Care	Hospice Residential Days of Care
Self Pay / Charity	4.3%	4.3%
Commercial Insurance	0.1%	0.1%
Medicare	92.0%	92.0%
Medicaid	3.5%	3.5%
Total	**100.0%**	**100.0%**

The projected payor mix is consistent with the statewide hospice payor mix provided in the FY2010 annual report from The Carolinas Center for Hospice and End of Life Care. The applicants adequately demonstrate that medically underserved groups will

be adequately served by the proposed new hospice facility. Therefore, the application is conforming with this criterion.

(d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI.9(a), page 105, the applicants state the range of means by which a person will have access to its proposed services. The applicants state:

"All persons will have access to the proposed hospice inpatient facility project through physician referral or hospice homecare referral. Inpatient admissions will be from private homes, ... All such referrals will then be assessed by CCHH's clinical staff, specifically including, the Medical Director, to insure each patient meets the hospice admission criteria.

Further, in Section VI.9(b), pages 105-106, the applicants provide a listing of acute care, nursing, assisted living, home health and hospice and other agencies which the applicants anticipate will make referrals to the proposed new hospice inpatient and residential care facility. Exhibit 5 contains a copy of the Admission, Patient Processing, and Discharge Policies and Procedure. The applicants adequately demonstrate the range of means by which a person will have access to the proposed new hospice facility; therefore, the application is conforming to this criterion.

(14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

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In Section V.1(c), page 92, the applicants state:

"The proposed hospice inpatient and residential facility in Carteret County will be available to all area schools and regional health professional training programs, ...

3HC is committed to establishing and maintaining collaborative relationships with local and regional health professional training programs. 3HC currently has training agreements with the following programs:

- *Johnston Community College*
- *East Carolina University*
- *Winston-Salem State University*
- *Wayne Community College*
- *Lenoir Community College*

- *Barton College*
- *Sampson Community College*
- *University of North Carolina at Chapel Hill*
- *James Sprunt Community College*

The proposed hospice inpatient and residential facility in Carteret County will be available to students of these training programs and all training programs. ..."

See Exhibit 12 for copies of the training agreements with the schools listed above. Crystal Cost Hospice House adequately demonstrated that it will accommodate the clinical needs of area health professional training programs. The information provided is reasonable and credible and supports a finding of conformity with this criterion.

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

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

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In Section V.7, page 97, the applicants discuss how the proposed project and any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access of underserved groups to the proposed services. Cost effectiveness is discussed in Section III.3, pages 71-72. Quality is discussed in Section II.2, pages 16-32; Section III.3, pages 73-74; and Section V.7, pages 98-100. A copy of the applicants' Quality Assessment / Performance Improvement / Risk Management Policies and Procedures is contained in Exhibit 9. Access of underserved groups is discussed in Section III.3, page 72; and Section VI., pages 102-104.

CCHH adequately demonstrates that the proposed project will have a positive impact upon the cost effectiveness, quality and access to the proposed services for the reasons listed as follows: a) The applicants adequately demonstrated that the proposal is cost-effective. [See Criteria (1), (3) and (5)]; b) The applicants adequately demonstrated that it will provide adequate access to the proposed services [See Criterion (13)]; and c) The applicants adequately demonstrated that it will provide quality services. [See Criteria (7), (8) and (20)].

Therefore, the application is conforming to this criterion.

(19) Repealed effective July 1, 1987.

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

C

In Section II.4(b), page 36, the applicants state, *"3HC has never had its Medicare/Medicaid provider agreement terminated."*

According to files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming with this criterion.

(21) Repealed effective July 1, 1987.

(b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is conforming with all applicable Criteria and Standards for Hospice 10A NCAC 14C .4000. The specific criteria are discussed below.

SECTION .4000 - CRITERIA AND STANDARDS FOR HOSPICE INPATIENT FACILITIES AND HOSPICE RESIDENTIAL CARE FACILITIES

10A NCAC 14C .4002 INFORMATION REQUIRED OF APPLICANT

(a) An applicant proposing to develop hospice inpatient facility beds or hospice residential care facility beds shall complete the application form for Hospice Inpatient and Hospice Residential Care Services.

-C- The applicants used the Hospice Inpatient and Hospice Residential Care Services form.

(b) An applicant proposing to develop hospice inpatient facility beds or hospice residential care facility beds shall provide the following information:

(1) the projected annual number of hospice patients, admissions, deaths, and other discharges, for each level of care (i.e., respite care, hospice residential care and

hospice inpatient care), to be served in the facility in each of the first three years following completion of the project and the methodology and assumptions used to make the projections;

-C- In Section II.2, pages 17-18, the applicants provide the projected number of hospice patients, admissions, deaths and discharges for its proposed inpatient and residential care services for each of the first three years following completion of the project, as illustrated in the tables below:

Inpatient Hospice Care				
	Patients	*Unduplicated Admissions*	*Deaths*	*Other Discharges**
FY 2014	*212*	*180*	*126*	*54*
FY 2015	*223*	*190*	*133*	*57*
FY 2016	*232*	*197*	*138*	*59*

**Others Discharges include patients who are transferred from an inpatient bed to a residential bed, or discharged to home or to another provider facility such as a hospital.*
Totals may not foot due to rounding.

Residential Hospice Care				
	Patients	*Unduplicated Admissions*	*Deaths*	*Other Discharges**
FY 2014	*46*	*45*	*41*	*5*
FY 2015	*47*	*47*	*42*	*5*
FY 2016	*47*	*47*	*42*	*5*

**Others Discharges include patients who are discharged to a nursing home or place of residence.*
Totals may not foot due to rounding.

In Section II.2, page 19, the applicants state, *"3HC does not propose to provide respite care in the inpatient and residential care facility."* See Section III.1, pages 54-70 for the applicants assumptions and methodology used to project patient utilization.

(2) the projected annual number of hospice patients, admissions, deaths, and other discharges for each level of care to be served by the applicant's licensed hospice agency in each of the first three years following completion of the project and the methodology and assumptions used to make the projections;

-C- CCHH is not a licensed hospice agency. However, its co-applicant, 3HC, is a licensed provider of hospice services in Wayne County and serves patients in the secondary service areas. The applicants provide 3HC's historical and projected hospice patients admissions, deaths, and other discharges, as illustrated in the table below.

	Actual	Projected					
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Routine Home Care							
Days of Care	57,061	59,319	61,665	64,105	66,641	69,278	72,019
Patients	745	774	805	837	870	905	940
Admissions	778	809	841	874	909	945	982
Deaths	144	150	156	162	168	175	182
Other Discharges	102	106	110	115	119	124	129
Inpatient							
Days of Care	2,244	2,333	2,425	2,521	2,261	2,724	2,832
Patients	257	267	278	289	300	312	324
Admissions	254	264	274	285	297	308	321
Deaths	254	264	274	285	297	308	321
Other Discharges	0	0	0	0	0	0	0
Respite							
Days of Care	191	199	206	215	223	232	241
Patients	25	26	27	28	29	30	32
Admissions	25	26	27	28	29	30	32
Deaths	0	0	0	0	0	0	0
Other Discharges	25	26	27	28	29	30	32
Kitty Askins Residential							
Days of Care	1,990	2,069	2,151	2,236	2,324	2,416	2,512
Patients	71	74	77	80	83	86	90
Admissions	71	74	77	80	83	86	90
Deaths	47	49	51	53	55	57	59
Other Discharges	8	8	29	9	9	10	10
Total Agency							
Days of Care	61,486	63,919	66,448	69,076	71,809	74,651	77,604
Patients	1,098	1,141	1,187	1,234	1,282	1,333	1,386
Admissions	1,128	1,173	1,219	1,267	1,317	1,370	1,424
Deaths	445	463	481	500	520	540	562
Other Discharges	135	140	146	152	158	164	170

Source: 3HC Internal Data
Totals may not foot due to rounding

(3) the projected annual number of patient care days, for each level of care (i.e., respite care, hospice residential care and hospice inpatient care), to be provided in each of the first three years of operation following completion of the project and the methodology and assumptions used to make the projections;

-C- In Section II.2, page 21, the applicants project the annual number of patient care days, for each level of care to be provided in each of the first three years of operation following completion of the proposed project, as illustrated in the following table.

Total Projected Patient Care Days			
	FY 2014	*FY 2015*	*FY 2016*
Inpatient Days of Care	*1,696*	*1,786*	*1,855*
Residential Days of Care	*1,387*	*1,424*	*1,424*

Totals may not foot due to rounding.

The applicants state that CCHH will not provide respite care. See Section III.1, pages 54-70, for the applicants assumptions and methodology used to project annual number of patient days.

(4) the projected average length of stay (ALOS) based on admissions to the applicant's facility, for each level of care, (i.e., respite care, hospice residential care and hospice inpatient care) and the methodology and assumptions used to make the projections;

-C- In Section II.2, pages 21-22, the applicants state, *"3HC projects serving the following inpatient and residential average length of stay in each of the initial three years following completion of the project. CCHH does not propose to provide respite care in the inpatient and residential care facility."*

Hospice of Carteret County
Projected Average Length of Stay

	Inpatient	*Residential*
Average Length of Stay	*8.0*	*30.0*

The applicants state that CCHH will not provide respite care. See Section III.1, pages 54-70, for the applicants assumptions and methodology used to project the average length of stay.

(5) the projected readmission rate, for each level of care, (i.e., respite care, hospice residential care and hospice inpatient care) and the methodology and assumptions used to make the projections;

-C- In Section II.2, page 22, the applicants state, *"3HC anticipates that some patients will require inpatient care in the facility more than once due to the nature of their illness and comprehensive care needs. For example, a patient may be admitted to the proposed inpatient unit because of a pain crisis. Upon resolution of the crisis, these patients may return home but may return for a future inpatient stay to effectively manage their end-of-life care.*

... 3CH projects that approximately 15% of its projected hospice inpatients will require more than one admission to the proposed facility. Thus, 85% of the total projected inpatients will be unduplicated patients (100 – 15% = 85%). This is consistent with the readmission rate for Kitty Askins Hospice Center during FY 2011 year-to-date (Oct-Jun).

Based on its own experience providing hospice services, 3HC projects a 2% readmission rate for its residential care beds. Thus, 98% of the total projected residential patients will be unduplicated patients (100 – 2% = 98%)."

See Section III.1, pages 54-70 for the applicants assumptions and methodology used to project the readmission rate.

(6) the projected average annual cost per patient care day, by level of care (i.e., respite care, hospice residential care and hospice inpatient care) for each of the first three operating years following completion of the project and the methodology and assumptions used to project the average annual cost;

In section II.2, page 23, the applicants project the following average annual cost per patient day, by level of care, for each of the first three operating years following completion of the project.

Year	*Inpatient*	*Residential*
FY 2014	*$463*	*$381*
FY 2015	*$448*	*$376*
FY 2016	*$454*	*$395*

See Section III.1, pages 54-70 and Section XIII (pro forma tab) for the applicants methodology and assumptions used to project the average annual cost per patient day, by level of care.

(7) documentation of attempts made to establish working relationships with sources of referrals to the hospice facility including copies of proposed agreements for the provision of inpatient care and residential care;

-C- In Section II.2, pages 23-24, the applicants state, *"CCHH is not an existing inpatient and residential care facility, thus there are no existing formal agreements for the provision of inpatient care or residential care with any referral sources. However, CCHH board members have contacted the regional agencies that also provide hospice services to residents of Carteret County (and surrounding counties) to notify them that CCHH will welcome referrals and transfers from their programs to the proposed inpatient and residential facility. In response to personal visits to each hospice agency, CCHH has received letters of support for the proposed project from Hospice of Carteret County, Community Home Care and Hospice, Liberty Home Care and Hospice, United Hospice of Coastal Carolina, Hospice of Pamlico and Craven Health Department. ..."* See Exhibit 21 for letters of support from regional hospice providers and area physicians. 3HC currently serves patients from Craven, Jones, and Onslow Counties.

(8) documentation of the projected number of referrals to be made by each referral source;

-C- The applicants state in Section II.2, page 24, *"CCHH is not an existing inpatient and residential care facility ... . CCH has contacted the regional hospice agencies that provide hospice services to residents of Carteret County (and surrounding counties .... CCHH has received letters of support from hospice agencies currently serving local service area patients. These agencies comprise 99% of the FY 2010 market share for Carteret County hospice admissions, and a large majority of the market share for hospice admissions in Craven, Jones, Onslow and Pamlico counties. Based on verbal and written indications of support, CCHH anticipates that it will receive admissions from hospice agencies that serve the proposed service area. Thus, CCHH reasonably expects to receive referrals from these agencies when patients from Carteret County and surrounding communities require hospice inpatient and residential services."*

(9) copies of the proposed contractual agreements, if the applicant is not a licensed hospice, with a licensed hospice or a licensed home care agency with a hospice designation on its license, for the provision of hospice services;

-C- In Section II.2, page 25, the applicants state, *"3HC, the co-applicant, is a licensed hospice and will operate the proposed hospice facility via a lease agreement with CCHH."* See Exhibit 15 for a draft copy of the lease agreement.

(10) documentation of the projected number of patients to be referred for each payor type from the referring hospices, if the applicant is not a licensed hospice or if the applicant proposes to admit patients on a contractual basis; and

-NA- CCHH is not a licensed hospice agency. Although the co-applicant, 3HC is a licensed hospice, CCHH does not propose to admit patients on a contractual basis.

(11) a copy of the admission policies, including the criteria that shall be used to select persons for admission to the hospice inpatient and residential care beds.

-C- The applicants admissions policies, including the criteria that shall be used to select persons for admission to the hospice inpatient and residential care beds is located in Exhibit 5.

10A NCAC 14C .4003 PERFORMANCE STANDARDS

(a) An applicant proposing to develop hospice inpatient facility beds or hospice residential care facility beds shall demonstrate that:

(1) the average occupancy rate of the licensed hospice beds, for each level of care, in the facility is projected to be at least 50 percent for the last six months of the first operating year following completion of the project;

-C- In Section III.1, page 62 and Section IV.2, page 88, the applicants project the following inpatient/residential occupancy rate for the last six months of the first operating year, as illustrated below.

Inpatient				
Qrt	**Patient Days**	**Occupancy Rate**	**# of Beds**	***Total Patients**
3rd	424	77.4%	6	45
4th	424	77.4%	6	45
Total	848	77.4%	6	90
Residential				
3rd	347	95.0%	4	11
4th	347	95.0%	4	11
Total	694	95.0%	4	22

*Indicates unduplicated patients

As illustrated above, the applicants project to serve a total of 90 patients in its inpatient facility and a total of 22 in the residential facility during the last six months for a total of 112 patients with an occupancy rate of 77.4% and 95.0% respectively.

(2) the average occupancy rate for the licensed hospice beds, for each level of care, in the facility is projected to be at least 65 percent for the second operating year following completion of the project; and

-C- See Section III.1 and Section IV.2 for the applicants projections that the facility's occupancy rate, for the second operating year will exceed 65%.

(3) if the application is submitted to address the need for hospice residential care beds, each existing hospice residential care facility which is located in the hospice service area operated at an occupancy rate of at least 65 percent for the 12 month period reported on that facility's most recent Licensure Renewal Application Form.

-NA- There are no residential hospice care beds in the proposed service area.

(b) An applicant proposing to add hospice inpatient facility beds to an existing hospice inpatient facility shall document that the average occupancy of the licensed hospice inpatient facility beds in its existing facility was at least 65 percent for the nine months immediately preceding the submittal of the proposal.

-NA- CCHH is not an existing hospice facility.

(c) An applicant proposing to add residential care beds to an existing hospice residential care facility shall document that the average occupancy of the licensed hospice residential care beds in its existing facility was at least 65 percent for the nine months immediately preceding the submittal of the proposal.

-NA- CCHH is not an existing hospice facility.

10A NCAC 14C .4004 SUPPORT SERVICES

(a) An applicant proposing to develop a hospice inpatient facility beds or hospice residential care facility beds shall demonstrate that the following services will be provided directly by the applicant or by a contracted hospice to the patient and the patient's family or significant others:

(1) nursing services;
(2) social work services;
(3) counseling services including dietary, spiritual, and family counseling;
(4) bereavement counseling services;
(5) volunteer services;
(6) physician services; and
(7) medical supplies.

-C- In Section II.2, page 27, the applicants state, *"As a licensed Medicare/Medicaid-certified hospice agency and hospice inpatient provider, 3HC currently provides all the core services listed above. These services will be available at CCHH, and provided to patients in the proposed hospice facility. Specifically, 3HC will provide nursing, social work, spiritual and bereavement counseling via facility staff. Dietary counseling will be provided via a contract with a local dietician. 3Hc will recruit and train the volunteer staff in accordance with its established policies ... . Physician services will be provided by the patient's private physician or the facility Medical Director. 3HC will obtain medical supplies via a purchasing/CS clerk."*

(b) An applicant shall demonstrate that the nursing services listed in Paragraph (a) of this Rule will be available 24 hours a day, seven days a week.

-C- In Section II.2, page 27, the applicants state, *"CCHH will have a minimum of one Registered Nurse on duty at the proposed facility at all times (24 hours per day, 7 days per week)."*

(c) An applicant proposing to develop a hospice inpatient facility or a hospice residential care facility shall provide documentation that pharmaceutical services will be provided directly by the facility or by contract.

-C- In Section II.2, page 27, the applicants state that pharmaceutical services will be proved through 3HC's existing contract with ProCare Pharmacy Benefit Manager, Inc. (Pro-care). See Exhibit 6, for a copy of the pharmaceutical services agreement.

(d) For each of the services listed in Paragraphs (a) and (c) of this Rule which are proposed to be provided by contract, the applicant shall provide a copy of a letter from the proposed provider which expresses its interest in working with the proposed facility.

-C- The applicants propose to have only one contracted service and that is with Pro-care. See Exhibit 6 for a copy of the pharmaceutical agreement.

10A NCAC 14C .4005 STAFFING AND STAFF TRAINING

(a) An applicant proposing to develop a hospice inpatient facility beds or hospice residential care facility beds shall document that staffing will be provided in a manner consistent with G.S. 131E, Article 10.

-C- In Section VII.3, pages 109-110, the applicants project that the total number of FTEs for the proposed new facility will be 22.25 (11.35 inpatient FTEs and 10.90 residential FTEs). The applicant is consistent with G.S. 131E, Article 10.

(b) The applicant shall demonstrate that:

(1) the staffing pattern will be consistent with licensure requirements as specified in 10A NCAC 13K, Hospice Licensing Rules;

-C- In Section II.2, page 28, the applicants state that the staffing pattern at CCHH will continue to comply with the requirements of the Hospice Licensing Rules.

(2) training for all staff will meet the requirements as specified in 10A NCAC 13K .0400, Hospice Licensing Rules.

-C- In Section II.2, page 28, the applicants state training for all staff will meet the requirements as specified in 10A NCAC 13K .0400, Hospice Licensing Rules.

10A NCAC 14C .4006 FACILITY

An applicant proposing to develop new hospice inpatient facility beds or new hospice residential care facility beds shall document:

(1) that a home-like setting shall be provided in the facility;

-C- In Section II.2, pages 28-29, the applicants state, *"They are committed to ensuring a home-like setting for the proposed hospice facility. CCHH representatives have visited and consulted with many other hospice inpatient facilities, ... , to incorporate the best features to provide the home-like environment in the facility's design. The hospice facility is being modeled after a costal mainland home, with warm and welcoming spaces throughout, ample natural light, comfortable living spaces and spacious comfortable patient suites, each with its own bath and accessible porch. The design incorporates ... a family room with a fireplace, children's activity room, home office/study with fireplace, sunrooms, screened porches and terraces plus a kitchen and dinning areas ... .*

Non-institutional style wall and floor covering will enhance the residential, home-like environment."

(2) that the services will be provided in conformity with applicable state and local laws and regulations pertaining to zoning, physical environment, water supply, waste disposal and other relevant health and safety requirements; and

-C- The applicants state that all services provided by the facility will be conforming with all applicable state and local laws pertaining to zoning, physical environment, water supply and waste disposal.

(3) for new facilities, the location of the site on which the services are to be operated. If the site is neither owned by nor under option to the applicant, the applicant must provide a written commitment to pursue acquiring the site if and when the approval is granted, must specify a secondary site on which the services could be operated if acquisition efforts relative to the primary site ultimately fail, and must demonstrate that the primary and secondary sites are available for acquisition.

-C- In Section II.2, page 30, the applicants state, *"CCHH owns the site for the proposed hospice inpatient facility."*