

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: July 18, 2012

PROJECT ANALYST: Michael J. McKillip

SECTION CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: D-8829-12/ Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC / Relocate 20 existing adult care home beds from Glenbridge Health and Rehabilitation in Boone to a new nursing facility on Summit Meadows Lane in Blowing Rock as a change of scope for Project I.D. # D-8685-11, Develop 20 new nursing care beds and relocate 72 existing nursing care from beds from Blowing Rock Hospital to develop a new 92-bed nursing facility, including a 24-bed Alzheimer's disease and related disorders (ADRD) special care unit / Watauga 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.

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The applicants, Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC, propose to relocate 20 existing adult care home beds from Glenbridge Health and Rehabilitation in Boone to a new nursing facility to be developed on Summit Meadows Lane in Blowing Rock, as a change of scope to a previously approved project. On October 28, 2011, Blowing Rock Hospital, Inc. d/b/a Blowing Rock Post-Acute Care Center and Appalachian Regional Healthcare System, Inc. were conditionally approved (Project I.D. # D-8685-11) to develop 30 new nursing care beds and relocate 72 existing nursing care beds from Blowing Rock Hospital to develop a new 102-bed nursing facility, including a 24-bed Alzheimer's disease and related disorders

(ADRD) special care unit. However, pursuant to a settlement agreement executed on June 21, 2012, the applicants, Blowing Rock Hospital, Inc. d/b/a Blowing Rock Post-Acute Care Center and Appalachian Regional Healthcare System, Inc. were conditionally approved to develop only 20 new nursing care beds for a total of 92 nursing care beds at the proposed facility, Blowing Rock Post-Acute Care Center (BRPACC). Therefore, following completion of this project and Project I.D. # D-8685-11, BRPACC would operate 92 nursing care beds and 20 adult care home beds. Also, the competing applicants in the previous review, Lynnhaven II, LLC, and Borum Healthcare, LLC d/b/a Glenbridge Health and Rehabilitation, were conditionally approved (Project I.D. # D-8683-11) to develop 10 new nursing care beds for a total of 134 nursing care beds at their existing nursing facility, Glenbridge Health and Rehabilitation. The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2012 State Medical Facilities Plan (SMFP). However, there is one policy in the 2012 SMFP that is applicable to this review: Policy LTC-2: *Relocation of Adult Care Home Beds*. The policy is discussed below:

Policy LTC-2: Relocation of Adult Care Home Beds

“Relocations of existing licensed adult care home beds are allowed only within the host county and to contiguous counties currently served by the facility. Certificate of need applicants proposing to relocate licensed adult care home beds to contiguous counties shall:

1. *Demonstrate that the proposal shall not result in a deficit in the number of licensed adult care home beds in the county that would be losing adult care home beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins, and*
2. *Demonstrate that the proposal shall not result in a surplus of licensed adult care home beds in the county that would gain adult care home beds as a result of the proposed project, as reflecting in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

The applicants propose to relocate 20 adult care home (ACH) beds within Watauga County. As such, the proposed facility will not change the current ACH bed inventory in Watauga County. Therefore, the application is conforming to Policy LTC-2.

The application is consistent with Policy LTC-2, and is therefore conforming to this criterion.

- (2) Repealed effective July 1, 1987.4
- (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.

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The applicants, Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC, propose to relocate 20 existing adult care home beds from Glenbridge Health and Rehabilitation in Boone to a new post-acute facility to be developed on Summit Meadows Lane in Blowing Rock, as a change of scope to a previously approved project. Pursuant to a June 21, 2012 settlement agreement, Blowing Rock Hospital, Inc. d/b/a Blowing Rock Post-Acute Care Center and Appalachian Regional Healthcare System, Inc. were conditionally approved (Project I.D. # D-8685-11) to develop 20 new nursing care beds and relocate 72 existing nursing care beds from Blowing Rock Hospital to develop a new 92-bed nursing facility. In Section II.1, page 7, the applicants describe the proposed change in scope as follows:

“BRH proposes a change in scope to its previously approved Project #D-8685-11, specifically to relocate 20 existing ACH beds from Glenbridge to BRH’s approved new facility, Blowing Rock Post-Acute Care Center (BRPACC). Upon completion of the proposed project, Glenbridge will no longer be licensed for or operate any ACH beds.

BRPACC will not develop an Alzheimer’s Unit (also referred to as an Alzheimer’s Disease and Related Disorders (ADRD) Unit) as part of its skilled nursing services as described in its previously approved Project # D-8685-11; rather the ADRD unit will be developed as part of the proposed ACH services.”

In Section II.2, page 7, the applicants describe the proposed project as follows:

“The proposed ADRD unit will consist of 20 ACH beds which will be in a specially designed, self-contained wing of the facility. This ‘neighborhood’ will incorporate design and functional elements consistent with the features of BRPACC’s previously approved facility. The design of the special care unit will provide a safe, secure environment for these patients that will address their needs separately from the rest of the facility.”

Therefore, following completion of this project and Project I.D. # D-8685-11, the proposed facility would operate 92 nursing care beds and 20 adult care home beds. Exhibit 1 of the application contains a “*Memorandum of Understanding*” between the four co-applicants, Blowing Rock Hospital, Inc. (BRH), Appalachian Regional Healthcare System, Inc. (ARHS), Lynnhaven II, LLC (“Lynnhaven”), and Borum Healthcare, LLC d/b/a Glenbridge Health and Rehabilitation (“Glenbridge”), which states

“BRH, ARHS and Lynnhaven intend to file a joint certificate of need (“CON”) application on or about the 15th day of May, 2012, with the Certificate of Need Section (“CON Section”) of the North Carolina Department of Health and Human Services (DHHS), Division of Health

Service Regulation (“DHSR), proposing to relocate the ACH Beds from Glenbridge to an expansion of BRH’s and ARHS’s proposed skilled nursing facility which is to be located at Summit Meadows Lane, Watauga County, Blowing Rock, N.C. (hereinafter, the “New Facility”), wherein (i) ARHS, or a related entity, will own the real estate on which the New Facility is located as well as a majority of the new Facility itself, (ii) Lynnhaven will own a designated portion of the New Facility (“Portion”), (iii) Lynnhaven will lease its respective portion of the New Facility to BRH and (iv) Lynnhaven will lease land from ARHS on which its respective Portion of the New Facility will be located during the construction of the portion of the New Facility that will house the 20 ACH-beds. ... Lynnhaven, Glenbridge, BRH and ARHS have agreed on the terms for the transfer of the Lynnhaven Portion of the New Facility to BRH and ARHS once the New Facility is constructed and licensed.”

Population to be Served

In Section III.7, page 30, the applicants provide the historical (FY2011) patient origin for the 20 ACH beds at Glenbridge Health and Rehabilitation that are proposed to be relocated to the new facility, Blowing Rock Post-Acute Care Center (BRPACC), which is shown in the table below.

**Glenbridge Health and Rehabilitation
ACH Bed Patient Origin, FY2011**

County	Percent of Total ACH Patient
Watauga	97.6%
Catawba	2.4%
Total	100.0%

In Section III.7, page 30, the applicants state

“BRH does not project a change in patient origin for the proposed relocated ACH beds. Upon completion of the proposed project, ACH patient origin will remain consistent with the historical experience of the 20 existing ACH beds. The proposed project will relocate beds within Watauga County, approximately three miles from the existing Glenbridge facility to the approved BRPACC facility.”

The applicants adequately identify the population to be served.

Need Analysis

In Section III.1(a), the applicants state the need for the proposed project is supported by the projected growth and aging of the service area population (pp. 13-18), national utilization trends for assisted living facilities (pp. 18-20), the projected growth in patients with

Alzheimer’s disease (pp. 20-22), and the geographic distribution of ACH bed in Watauga County (pp. 23-24).

In Section IV.1, page 31, the applicants provide the utilization data for the 20 ACH beds at Glenbridge Health and Rehabilitation for the nine months immediately preceding the submission of the application, as shown in the table below.

**Table IV.1 – Historical Utilization
 August 1, 2011 – April 30, 2012**

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
ACH Patient Days	487	459	496	534	504	518	491	465	509	4,463
Occupancy Rate	79%	77%	80%	89%	81%	84%	85%	75%	85%	81%
# of Beds	20	20	20	20	20	20	20	20	20	20

In Section III.1(b), page 12, the applicants state

“Glenbridge’s 20 existing ACH beds are currently operating at 85 percent capacity. During April 2012, Glenbridge provided 509 ACH days of care (509 ACH days/30 days/20 ACH beds).”

The proposed relocation is expected to improve future utilization for the 20 ACH beds. For example, the beds are currently located in an aged facility that is not consistent with contemporary healthcare design or expectations of ACH patients and their families. Upon completion of the proposed project, the ACH beds will be operated in a new, modern facility specifically designed for the needs of long term care patients. Additionally, the beds will be relocated to a location that will enhance geographic access for service area residents (see discussion in Section III.2 below).”

In Section IV.2, pages 32, the applicants provide projected utilization data for the 20 ACH beds for the first two full federal fiscal years of operation following completion of the proposed project, as shown in the tables below.

**Table IV.2 – Projected Utilization of the 20 ACH Beds
 First Full Federal Fiscal Year, October 1, 2013 – September 30, 2014**

	1 st Quarter 10/1-12/31	2 nd Quarter 1/1-3/31	3 rd Quarter 4/1-6/30	4 th Quarter 7/1-9/30	Total
ACH Patient Days	1,477	1,710	1,729	1,748	6,664
Occupancy Rate	80.3%	95.0%	95.0%	95.0%	91.3%
Total ACH beds	20	20	20	20	20

Table IV.2 – Projected Utilization of the 20 ACH Beds

Second Full Federal Fiscal Year, October 1, 2014 – September 30, 2015

	1st Quarter 10/1-12/31	2nd Quarter 1/1-3/31	3rd Quarter 4/1-6/30	4th Quarter 7/1-9/30	Total
ACH Patient Days	1,748	1,710	1,729	1,748	6,935
Occupancy Rate	95.0%	95.0%	95.0%	95.0%	95.0%
Total ACH beds	20	20	20	20	20

In Section IV.3, page 33, the applicants describe the assumptions and methodology used to project utilization of the 20 ACH beds at BRPACC as follows:

“It is reasonable to assume that due to the advanced aged of the vast majority of Glenbridge’s ACH residents (see discussion in Section III.2), many of the current ACH residents will not occupy the beds at the time the relocated beds become operational (October 2013). As described previously, Glenbridge intends to decrease its ACH bed population via attrition. Therefore, BRH assumes a net average fill-up rate of four patients per week for the ACH beds during the fill-up period until the 20 beds reach 95 percent occupancy.

As discussed previously, while Glenbridge is currently operating at 85 percent occupancy in its ACH beds (based on April 2012 days of care), the applicants agree that utilization is negatively impacted by the age of the existing physical plant. Upon completion of the proposed project, the ACH beds will be operated in a new, modern facility specifically designed for the needs of long term care patients, including residents with Alzheimer’s disease and related dementia. Additionally, as described previously, the beds will be relocated to a location that will enhance geographic access for service area residents. These qualitative factors, in addition to quantitative factors described in Section III.2, support BRH’s projected ACH utilization.”

The applicants’ projected utilization is based on the historical utilization of the 20 existing ACH beds at Glenbridge and reasonable assumptions regarding the impact of relocating the beds to a new, modern facility specifically designed to the meet the needs ADRD residents. The applicants adequately identify the population to be served and demonstrate the need the population has for the relocation of the 20 ACH bed to the new nursing facility. Therefore, 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.

C

The applicants, Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC, propose to relocate 20 existing adult care

home beds from Glenbridge Health and Rehabilitation in Boone to a new post-acute facility to be developed on Summit Meadows Lane in Blowing Rock, which is approximately three miles away. Therefore, the 20 ACH beds will be geographically accessible to the same population currently being served at the existing facility.

In Section III.6(a), pages 27-28, the applicants state:

“Glenbridge does not expect to have any residents in the ACH beds when the beds are ready to be transferred to the approved new BRPACC facility. BRH and ARHS understand that Glenbridge is not promising to transfer any residents from the existing facility to BRPACC. ... Glenbridge intends to decrease the resident population through attrition. If any residents are residing in the beds at the time of the relocation, such residents will be informed that should they choose not to transfer to BRPACC, they will be assisted by BRH and ARHS administrative staff with selecting a new assisted living facility to which to move. During this process, the administrative staff of the facility will contact the Watauga County Department of Social Services to enlist their assistance, and also contact other assisted living facilities, both in and near Watauga County, to which the residents might wish to relocate. It is anticipated that all patients will prefer to be relocated to the proposed new facility.”

In Section III.6(c), pages 28-29, the applicants state:

“As shown in Section III.7(b), the proposed project will have no negative effect on the ability of Watauga County residents to obtain nursing services in the future. BRH does not project a change in patient origin for the proposed relocated ACH beds. Upon completion of the proposed project, ACH patient origin will remain consistent with the historical experience of the 20 existing ACH beds. The proposed project will relocate beds within Watauga County, approximately three miles from the existing Glenbridge facility to the approved BRPACC facility.”

In Section VI.5, page 39, the applicants state

“The location off Highway 321 near the Blue Ridge Parkway will improve access to adult care home beds for the residents and families of Watauga County. ... BRH projects providing 33.1 percent of ACH patient days to State/County special assistance patients, which is consistent with the most recent Glenbridge historical State/County assistance mix.”

The applicants adequately demonstrate that the relocation of the 20 existing ACH beds will not have a negative effect 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. In addition, the applicants demonstrate that the needs of the population presently

served will be met adequately by the proposed relocation or by alternative arrangements. Therefore, the application is conforming to this criterion.

- (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.

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In Section III.3 (a), pages 25-26, the applicants describe the alternatives considered, including maintaining the status quo and developing the project without an ADRD special care unit. The application is conforming to all other applicable statutory review criteria. See Criteria (1), (3), (3a), (5), (6), (7), (8), (12), (13), (14), (18a), and (20). The applicants adequately demonstrated that the proposal is their least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

1. **Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC shall materially comply with all representations made in their certificate of need application.**
2. **Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC shall relocate 20 adult care home beds from Glenbridge Health and Rehabilitation to Blowing Rock Post-Acute Care Center (BRPACC). BRPACC shall develop a total licensed bed complement of no more than 92 nursing care beds and 20 adult care home beds, including a 20-bed special care unit, upon completion of this project and Project I.D. # D-8685-11.**
3. **Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC shall provide documentation that the 20 adult care home beds at Glenbridge Health and Rehabilitation facility are delicensed following completion of the project.**
4. **Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC shall submit all patient charges and actual per diem reimbursement for each source of patient payment to the Certificate of Need at year end for each of the first two operating years following licensure of the beds in the new facility.**
5. **For the first two full federal fiscal years of operation following completion of the project, actual private pay charges shall not be increased more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Certificate of Need Section that the proposed increase is in material compliance with the representations made in the certificate of need application.**

6. **Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
 7. **Blowing Rock Hospital, Inc., Appalachian Regional Healthcare System, Inc., Lynnhaven II, LLC, and Borum Healthcare, LLC shall acknowledge acceptance of and agree to comply 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.

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In Section VIII.1, page 46, the applicants, Blowing Rock Hospital, Inc. (BRH), Appalachian Regional Healthcare System, Inc. (ARHS), Lynnhaven II, LLC (“Lynnhaven”), and Borum Healthcare, LLC d/b/a Glenbridge Health and Rehabilitation (“Glenbridge”), project the total incremental capital expenditure for the proposed change in scope for the previously approved project (Project I.D. # D-8685-11) to be \$835,742. In Section VIII.2, page 47, the applicants indicate that the capital cost of the project will be financed with accumulated reserves of ARHS. Exhibit 8 contains a letter dated May 10, 2012, from the Chief Financial Officer for ARHS, which states

“As the Chief Financial Officer for Appalachian Regional Healthcare System (ARHS), I attest that funds are available from the accumulated reserves of ARHS for projects undertaken by ARHS facilities. Appalachian Regional Healthcare System is the not-for-profit parent company of Blowing Rock Hospital, Inc. (BRH). I am familiar with the CON application regarding the relocation of 20 adult care home beds to the approved new nursing facility in Blowing Rock. We are able to use ARHS’s reserves to cover all of the costs associated with this project, including the project capital cost and work capital requirements. The anticipated combined capital and working capital costs are less than \$3 million.”

Exhibit 9 contains a copy of the “*Combined Financial Statements, Years Ended September 30, 2011 and 2010*” for ARHS, which shows cash and cash equivalents of \$39.5 million as of September 30, 2011. The applicants adequately demonstrate the availability of funds for the capital needs of the proposed project.

In Section IX.1, page 50, the applicants provide the following current (FFY2012) per diem rates and charges by payer source for the 20 existing ACH beds at Glenbridge Health and Rehabilitation.

Payor Source	Private Room	Semi-Private Room
ACH Beds at Glenbridge		
Private Pay	\$141.00	131.00
State/County Special Assistance	NA	\$16.62
Other (SA Transport)	NA	\$17.67/mth

In Section IX.3, pages 51-52, the applicants project the following per diem rates and charges by payer source for the proposed 20-bed ACH special care unit in the first two full federal fiscal years (October 1, 2013 – September 30, 2015) of operation following completion of the proposed project.

Payor Source	Private Room	Semi-Private Room
ACH Special Care Unit		
Private Pay	\$209.68	NA
State/County Special Assistance	\$44.44	\$44.44
Other (Medicaid PCS + Enhanced)	\$33.73	\$33.73

In the pro forma statement of operating results and retained earnings (Form B), the applicants project that revenues will exceed operating costs for the entire facility in the second year of operation, as illustrated in the following table.

Revenues and Operating Costs Second Full Federal Fiscal Year 10/1/14 – 9/30/15	
Total Revenue	\$8,413,883
Total Operating Costs	\$7,992,843
Net Profit	\$421,040

The assumptions used by the applicants in preparation of the pro forma financial statements, including projected utilization, are reasonable. See Criterion (3) for discussion of utilization projections.

In summary, the applicants adequately demonstrated the availability of funds for the capital needs of the proposal and adequately demonstrate that the financial feasibility of the proposal is based on reasonable projections of cost and revenues. Therefore, the applicants are conforming to the 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.

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The applicants adequately demonstrate the need to relocate 20 existing adult care home beds from Glenbridge Nursing and Rehabilitation to the previously approved Blowing Rock Post-Acute Care Center (BRPACC) facility. In Section IV.2, the applicants reasonably project utilization of the 20 adult care home beds will be 95 percent of capacity, by the second full

fiscal year of operation. The applicants do not propose to develop additional adult care home beds. Consequently, the applicants adequately demonstrate the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in Watauga County. Therefore, 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.

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In Section VII.2, page 43, the applicants project the staffing for proposed 20-bed ACH special care unit in the second full federal fiscal year of the proposed project, as shown in the table below.

	FTEs
Nurse	4.20
Personal Care Aide	7.27
Pharmacy Consultant	0.01
Director of Nursing	0.18
Assistant Director of Nursing	0.18
Staff Development Coordinator	0.18
Unit Secretary	0.91
Medical Records Clerk	0.09
Food Service Supervisor	0.18
Dietary Aides	1.16
Social Work Director	0.18
Activity Director	0.16
Activities Aide	0.18
Housekeeping Supervisor	0.18
Housekeeping Aides	1.25
Maintenance Supervisor	0.18
Administrator	0.18
Administrative Secretary	0.18
Receptionist	0.18
CS Clerk	0.18
Total	17.21

Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the applicants are 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.

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In Section II.2, pages 7-9, the applicants describe the services to be available to the proposed 20-bed ACH special care unit for patients with Alzheimer's disease and related disorders (ADRD). In Section V.2, page 34, the applicants state that Blowing Rock Hospital (BRH) currently has transfer agreements with area providers. Exhibit 6 contains a list of facilities with which BRH has transfer agreements, including Carolinas Medical System, Mission Memorial Hospital, and Frye Regional Medical Center. Therefore, the applicants adequately demonstrate that the necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming with 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.

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In Section X.3, the applicants state the proposed nursing facility will be 87,444 square feet. In Section X.4, page 57, the applicants state, *“Please note that this total represents the entire planned Blowing Rock Post-Acute Care Center (i.e. includes all nursing care and ACH beds), and represents a slight increase from the previously approved 83,350 SF, because of the transfer of 20 ACH beds to the facility.”* In Section X.6, the applicants state the proposed 20-bed ACH special care unit will have 14 beds in private rooms and 6 beds in semi-private rooms. In Exhibit 2, an architect certifies that the total construction costs are estimated to be \$15,150,000, which is consistent with the costs reported by the applicants in Section VIII.1, page 46. In Section X.8, pages 58-59, the applicants state that applicable energy savings features will be incorporated into the plans. The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative for the project they propose, and that the construction costs will not unduly increase costs and charges for 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;

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In Exhibit 3, the applicants provide the payer mix during FFY2011 for the existing ACH beds at Glenbridge Health and Rehabilitation, as shown in the table below.

Payer Category	ACH Patient Days as Percent of Total
Private Pay	66.9%
County Special Assistance	33.1%
Total	100.0%

Based on data reported to the Adult Care Home Licensure and Certification Section of DHSR, the three existing ACH providers in Watauga County, including Glenbridge Health and Rehabilitation, reported the following combined average payer mix during FFY2011 for their existing ACH beds:

Payer Category	Watauga County ACH Patients as
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	Percent of Total
Private Pay	49%
County Special Assistance	51%
Total	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 June 2010 and CY2008-2009, respectively. The data in the table was obtained on June 26, 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 2008-2009 (Estimate by Cecil G. Sheps Center)
County			
Watauga	7.6%	3.5%	24.2%
Statewide	17.0%	6.7%	19.7%

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the services offered by the applicants.

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 and 31.6% 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. In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current payer 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.

The applicants demonstrate that medically underserved populations currently have adequate access to the applicants' existing services and are 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;

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In Section VI.4, page 38, the applicants state that there have not been any civil rights access complaints filed against them. 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.3, page 50, the applicants project the payer mix for the ACH special care unit (SCU) for the second full Federal Fiscal Year (October 1, 2014 – September 1, 2015), as shown in the table below.

Payer Category	ACH SCU Patient Days as Percent of Total
Private Pay	66.9%
County Special Assistance	33.1%
Total	100.0%

In Section IV.2, page 37, the applicants state, “BRH projects the ACH payor mix based on the most recent payor mix for ACH beds at Glenbridge.” The applicants demonstrated that the proposed 20-bed ACH special care unit will provide adequate access to medically underserved populations. 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 V.4, pages 34-35, the applicants describe the range of means by which a person will access their services. The application is conforming to this criterion.

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

C

In Section V.1, page 34, with regard to agreements with health professional training programs, the applicants state, “ARHS and BRH currently have positive working relationships with Appalachian State University (ASU), Caldwell Community College (CCC) and East Carolina University (ECU).” Exhibit 5 contains copies of the agreements. The applicants adequately demonstrate that the proposed project will accommodate the clinical needs of health professional training programs. Therefore, the application is conforming to 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.

C

See Sections II, III, V, VI and VII. In particular, see Section VI.5, pages 38-39, in which the applicants discuss the impact of the proposed project as it relates to promoting cost-effectiveness, quality and access. The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to adult care home bed services in Watauga County. This determination is based on the information in the application, and the following:

- ◆ The applicants adequately demonstrate the need to relocate the existing adult care home beds and that it is a cost-effective alternative;
- ◆ The applicants have and will continue to provide quality services; and
- ◆ The applicants have and will continue to provide adequate access to medically underserved populations.

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

Glenbridge Health and Rehabilitation is certified by CMS for Medicare and Medicaid participation. According to files in the Nursing Home and Licensure and Certification Section in the Division of Health Service Regulation, no incidents have occurred at Glenbridge Health and Rehabilitation within the eighteen months immediately preceding the date of the decision for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming to 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.

NA

The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services in 10A NCAC 14C .1100 are not applicable because the applicants do not propose to establish new nursing care or adult care home beds.