

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: July 31, 2013

PROJECT ANALYST: Kim Randolph

TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: G-10137-13/ Hospice of Surry, Inc. d/b/a Mountain Valley Hospice and Palliative Care d/b/a Yadkinville Care Center/ Develop a new hospice facility with four hospice inpatient and two hospice residential beds/ Yadkin 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 applicant, Hospice of Surry, Inc. d/b/a Mountain Valley Hospice and Palliative Care (MVHPC) d/b/a Yadkinville Care Center (YCC), proposes to develop a new hospice facility with four hospice inpatient and two hospice residential beds to be located in Yadkin County.

The 2013 State Medical Facilities Plan (2013 SMFP) identifies an adjusted need determination for four new hospice inpatient beds in Yadkin County. The 2013 SMFP, *Table 13C: Year 2016 Hospice Inpatient Bed Need Projections*, page 366, states “*The State Health Coordinating Council approved an adjusted need determination petition for 4 beds in Yadkin County.*” The applicant proposes to develop no more than four new hospice inpatient beds. Thus, the proposed project is consistent with the adjusted need determination in the 2013 SMFP.

Additionally, Policies GEN-3: Basic Principles and GEN-4: Energy Efficiency and Sustainability for Health Service Facilities in the 2013 SMFP are applicable to this review.

POLICY GEN-3: BASIC PRINCIPLES, pages 42-43 of the 2013 SMFP 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 demonstrate 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, page 68, the applicant states

“MVHPC is an organization that is recognized for its excellence in care delivery. Each of MVHPC’s home health and hospice programs are accredited the Accreditation Commission for Health Care, Inc. (ACHC). MVHPC also maintains active membership in the Association for Home and Hospice Care of North Carolina (AHCNC) and the National Hospice and Palliative Care Organization (NHPCO).”

The applicant states MVHPC requires employees and contractors to attend ongoing in-service education and training and certification programs related to patient safety, infection control, CPR and emergency preparedness. See Exhibit 7 for supporting documentation.

Staff Orientation and Competence Policies and Procedures are included in Exhibit 7. Quality Assessment and Performance Improvement Policies are included in Exhibit 8.

The applicant adequately demonstrates that the proposed project will promote safety and quality.

Maximize Healthcare Value

In Section III.3, page 67, the applicant states hospice patients requiring inpatient hospice care are admitted to a local hospital when local hospice inpatient services are unavailable, often incurring costs greater than those at a hospice facility setting.

“The proposed project will expand local hospice inpatient services specifically designed to maximize efficiency and minimize cost. Upon licensure of MVHPC’s

hospice inpatient and residential facility, MVHPC will be the only existing provider of hospice facility services in the service area, operating four inpatient and two residential hospice beds.

...

Additionally, MVHPC's proposed project reflects a cost-effective alternative for improving access to palliative care services in the local service area."

In Section III.1, page 44, the applicant states the cost of providing hospice services in a hospital setting is expensive compared to care administered in an inpatient hospice setting since the hospice facility costs reflect only those costs required to support palliative care, not the costs of the technology and services required to support acute care.

The applicant adequately demonstrates that the proposed project will maximize health care value.

Promote Equitable Access

In Section III.3, page 68, the applicant states

"MVHPC has 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."

In Section VI.1, page 92, the applicant states MVHPC's current hospice home care agency in Yadkin County served a combined 94.5 percent of Medicare and Medicaid hospice patients.

In Section VI.5, pages 94-95, the applicant further states

"Low income and medically underinsured persons in Yadkin County and neighboring communities will have access to all services provided by MVHPC.

...

MVHPC is committed to providing hospice services to any appropriate patients regardless of race, and will offer access to hospice services to these underserved ethnic minorities.

...

MVHPC is dedicated to serving all hospice-appropriate patients, regardless of gender.

...

The proposed inpatient facility will be handicapped accessible, and will conform to the North Carolina State Building Code, the National Fire Protection Association 101 Life Safety Code, the Rules Governing to the Licensure of Hospices in North Carolina, ANSI Standards for Handicapped Access, the North Carolina Office of State Construction, the North Carolina Department of Insurance and any other requirement of federal, state, and local bodies. The proposed spaces in the inpatient facility will be accessible to persons with disabilities, as required by the Americans with Disabilities Act.”

The applicant provides the Admission Policy in Exhibit 4 and the Billing, Reimbursement, and Sliding Fee Scale Policy in Exhibit 10. The applicant adequately demonstrates that medically underserved groups will have equitable access to the proposed services. See also Criterion (13) for discussion regarding access to the proposed service which is incorporated hereby as if fully set forth herein.

Projected Volumes Incorporate GEN-3 Concepts

The applicant adequately demonstrates the need for the project. The applicant demonstrates that projected volumes for the proposed hospice facility incorporate the basic principles in meeting the needs of patients to be served. Consequently, the application is consistent with Policy GEN-3.

POLICY GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES, page 43 of the 2013 SMFP 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 III.3, page 69, the applicant states it is designing the facility to comply with federal, state, and local requirements for energy efficiency and consumption. The applicant states the proposed facility will use modern energy and building management systems designed for effective and efficient operation which include the following:

- *“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 Section X.7, page 122, the applicant states *“MVHPC will design the facility to maximize energy efficiency and water conservation, and to meet or exceed North Carolina Building code requirements.”*

The applicant adequately demonstrates the proposal includes a plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

In summary, the applicant is conforming to the need determination in the 2013 SMFP and is consistent with Policies GEN-3 and GEN-4 in the 2013 SMFP. Therefore, the application is conforming with 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 applicant proposes to develop a new hospice facility with four hospice inpatient and two hospice residential beds to be located in Yadkin County. The applicant plans to construct an 11,272 square foot building to accommodate the new hospice facility. If approved to develop the new hospice facility, MVHPC also intends to build a new administrative building to house the current Yadkinville Hospice Home Care Agency on the same site, but in a separate building.

In Section I, pages 7-10, the applicant states MVHPC operates the only licensed hospice home care agency located in Yadkin County, which served 145 hospice

patients in FFY 2012. MVHPC also currently owns and operates the Woltz Hospice Home, an existing hospice inpatient facility with 13 hospice inpatient and 7 hospice residential beds, and three hospice home care agencies located in Surry County. Exhibit 2 contains copies of MVHPC's 2013 Hospice License Renewal Applications.

Population to be Served

In Section III.4, page 69, the applicant states that the proposed service area includes Yadkin and Wilkes counties. In Section III.12, page 76, the applicant projects patient origin for the first two years of operation, as shown below.

YCC Projected Inpatient and Residential Patient Origin

County	FFY 2016 Percent of Patients	FFY 2017 Percent of Patients
Yadkin	63.0%	62.6%
Wilkes	37.0%	37.4%
Total	100.0%	100.0%

In Section III.13, page 76, the applicant states *“MVHPC’s projected patient origin is based on the methodology and assumptions described in Section III.1. Projected patients and admissions are based on projected hospice inpatient and residential admissions for the proposed service area.”*

In Section III.10-11, pages 73-75, the applicant provides historical patient origin at its current hospice home care agencies located in Yadkin and Surry counties and its hospice inpatient and residential facility, located in Surry County.

In Section II.2, page 16, the applicant states *“Each of MVHPC’s hospice agencies and offices will refer patients to the proposed Yadkin County hospice inpatient and residential facility.”* Exhibit 14 contains the projected number of hospice patients, admissions, deaths, and other discharges for each level of care to be served by the MCHPC licensed hospice agencies in each of the initial three years following completion of the project.

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

Demonstration of Need

In Section III.1, page 66, the applicant states

“MVHPC utilized the following data sources to substantiate the need for the proposed services:

- *State Medical Facilities Plans*
- *North Carolina Office of State Budget & Management*
- *The Carolinas Center for Hospice and End of Life Care*
- *National Hospice and Palliative Care Organization*
- *United States Census Bureau*

In Section III.2, page 66, the applicant states that the 2013 SMFP indicated a need for four inpatient hospice beds in Yadkin County as a result of a petition for an adjusted need determination.

In Section III.1, pages 33-51, MVHPC describes the following factors which it states supports the need for the project:

- The increasing, aging population in Yadkin County (pp. 34-37).
- Higher rates of several hospice-related diagnoses, such as cancer and heart disease in Yadkin County, compared to North Carolina (pp. 37-42).
- Travel from Yadkin County to existing regional North Carolina hospice inpatient facilities is disruptive, expensive, and time-consuming for local residents. (pp. 42-45).
- Capacity of regional North Carolina hospice inpatient facilities is limited, and is often at or near capacity (pp. 43-45).
- The Hospice Days of Care are increasing at considerably faster rates in Yadkin County compared to the State Hospice Days of Care (pp. 46-50).
- Yadkin County community support for hospice inpatient beds is strong (pp. 50-51 and Exhibits 19-22).

In Section III.1, page 33, the applicant states when “...*projecting demand for the proposed hospice inpatient services, the applicants reviewed service area population and aging growth trends, utilization of hospice services, and geographic need.*”

On page 50, the applicant states that “*MVHPC believes the proposed hospice inpatient facility will provide much needed local services that will be highly utilized.*”

Utilization Projections

Inpatient Utilization

In Section II.2, pages 14-20, and Section III.1, pages 57-65, the applicant provides tables and information showing the projected utilization of YCC’s hospice inpatient beds and hospice residential beds for the first three years of operation following completion of the proposed project, which is summarized below.

Projected YCC Utilization October 1, 2015 – September 30, 2018

	Project Year 1 10/01/15-09/30/16	Project Year 2 10/01/16-09/30/17	Project Year 3 10/01/17-09/30/18
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Inpatient Hospice Beds			
Inpatient Hospice Patients	120	126	132
Unduplicated Admissions	40	41	43
Average Length of Stay	10.90	10.90	10.90
Days of Care	1,309	1,369	1,432
Average Daily Census	3.59	3.75	3.92
Number of Beds	4	4	4
Inpatient Deaths	101	106	110
Annual Occupancy Rate	89.65%	93.76%	98.08%
Residential Hospice Beds			
Inpatient Hospice Patients	18	18	18
Unduplicated Admissions	18	18	18
Average Length of Stay	39.80	39.80	39.80
Days of Care	715	715	715
Average Daily Census	1.96	1.96	1.96
Number of Beds	2	2	2
Residential Deaths	1	1	1
Annual Occupancy Rate	97.94%	97.94%	97.94%

Source: Pages 14-15, 17-18, 57, & 60 of application.

In Section III.1, pages 51-63, the applicant describes the assumptions and methodology used to project inpatient admissions and deaths for the first three years of operation, which is summarized below.

Inpatient Utilization Methodology	
Step	Description
1	Project Hospice Agency Admissions.
2	Project Hospice Agency Days of Care.
3	Project Hospice Inpatient Days of Care.
4	Project YCC Hospice Inpatient Market Share.
5	Project Hospice Inpatient Days of Care at YCC.
6	Project Admissions, Readmission, & Deaths.

Step 1: Project Hospice Agency Admissions.

On page 51, the applicant states that to project total hospice agency admissions for the proposed service area, it applied the Yadkin County four-year trailing average growth rate of 3.8 percent to FFY 2011 hospice admissions for Yadkin County. The applicant then applied the statewide four-year trailing average growth rate of 5.9 percent to the FFY 2011 hospice admissions for Wilkes County (instead of the Wilkes County four-year trailing average growth rate of 13 percent), as shown below.

Hospice Admissions

Actual	Yadkin County	Wilkes County	Statewide
FFY 2007	125	148	30,838
FFY 2008	155	166	32,509
FFY 2009	138	189	33,460
FFY 2010	132	201	35,403
FFY 2011	145	241	38,743
4-year Trailing Average Growth Rate	3.8% [4.6%]	13.0%	5.9%
Projected			
FFY 2012	150	255	—
FFY 2013	156	270	—
FFY 2014	162	286	—
FFY 2015	168	303	—
FFY 2016	175	321	—
FFY 2017	181	339	—
FFY 2018	188	359	—

Note: Yadkin County’s four-year trailing average growth rate is 4.6 percent, not 3.8 percent. However, the applicant’s use of 3.8 percent is a more conservative growth rate resulting in more conservative projections.

On page 52, the applicant states the projected admissions growth rates are reasonable because the 3.8 percent growth rate applied to Yadkin County and the 5.9 percent growth rate applied to Wilkes County are both below the two-year trailing average growth rate of 7.6 percent used in the 2013 SMFP to project hospice agency admissions statewide and the most recent one year annual growth rate of 9.8 percent in Yadkin County and 19.9 percent in Wilkes County.

Step 2: Project Hospice Agency Days of Care.

On pages 53-54, the applicant states to project hospice agency days of care, it applied the county-based Average Length of Stay (ALOS) of 92.71 for Yadkin County and 62.54 for Wilkes County to the projected hospice agency admissions calculated in Step 1, as shown below.

Projected Hospice Agency Days of Care

	FFY 2013	FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018
Yadkin County	156	162	168	175	181	188

ALOS	92.71	92.71	92.71	92.71	92.71	92.71
Yadkin County Days of Care	14,479	15,026	15,594	16,183	16,795	17,430
Wilkes County	270	286	303	321	339	359
ALOS	62.54	62.54	62.54	62.54	62.54	62.54
Wilkes County Days of Care	16,894	17,886	18,936	20,047	21,224	22,470

Step 3: Project Hospice Inpatient (IP) Days of Care.

On page 54, the applicant states to project total hospice inpatient days of care it multiplied the projected hospice agency days of care above by six percent to be consistent with the 2013 SMFP hospice inpatient methodology.

Projected Hospice Inpatient Days of Care

	FFY 2013	FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018
Yadkin County IP Days of Care	869	902	936	971	1,008	1,046
Wilkes County IP Days of Care	1,014	1,073	1,136	1,203	1,273	1,348
Projected Service Area IP Days of Care	1,883	1,975	2,072	2,174	2,281	2,394

Step 4: Project YCC Hospice Inpatient Market Share.

On page 56, the applicant states to project hospice inpatient days of care it proposes to capture 85 percent of the Yadkin County market share for hospice inpatient admissions and 40.25 percent of the Wilkes County market share for hospice inpatient admissions at the proposed facility during the first three years of the proposed project.

On page 55, the applicant states “MVHPC currently serves patients from Yadkin and Wilkes counties via its existing hospice agencies located in Yadkin and Surry counties.” On page 56, the applicant states MVHPC currently served 80.69 percent of hospice admissions in Yadkin County and 40.25 percent of hospice admissions in Wilkes County.

Step 5: Project Hospice Inpatient Days of Care at YCC.

On page 57, the applicant states to project hospice inpatient days of care at YCC, it applied the respective projected market shares determined in Step 4 above to the projected inpatient days of care in Step 3 with the results as shown below.

YCC’s Projected Hospice Inpatient Days of Care

	FFY 2016 10/01/15-09/30/16	FFY 2017 10/01/16-09/30/17	FFY 2018 10/01/17-09/30/18
Yadkin County IP Days of Care	825	857	889

Wilkes County IP Days of Care	484	513	543
Total IP Days of Care	1,309	1,369	1,432
Inpatient Beds	4	4	4
Percent of Occupancy	89.7%	93.8%	98.1%

Step 6: Project Admissions, Readmissions, & Deaths.

Admissions

On page 57, the applicant states to project inpatient admissions it used its hospice inpatient experience in adjacent Surry County. The applicant operates Woltz Hospice Home in Dobson, which has 13 hospice inpatient beds and 7 hospice residential beds. The applicant states in FY 2012, the ALOS for hospice inpatients at Woltz Hospice Home was 10.9 days.

The applicant states that statewide inpatient hospice admissions are not reported by the Carolinas Center data, therefore, to estimate the ALOS the applicant reviewed days of care (93,245) and death data (9,094) for FFY 2011, which equated to an average length of stay of approximately 10.3 days [93,245 / 9,094], for inpatient facilities in North Carolina.

The applicant states that since the FFY 2012 ALOS of 10.9 days for hospice inpatients at Woltz Hospice Home is comparable to the estimated ALOS statewide of 10.3 days, MVHPC applied the 10.9 day average length of stay to the Step 5 projected inpatient days of care to project the total hospice inpatient admissions shown on the table below.

YCC's Projected Inpatient Admissions

	FFY 2016 10/01/15-09/30/16	FFY 2017 10/01/16-09/30/17	FFY 2018 10/01/17-09/30/18
Number of Unduplicated Patients	40	41	43
Number of Readmissions	81	84	88
Total Hospice IP Admissions	120	126	132

Note: Totals may not foot due to rounding.

Readmissions

On page 59, the applicant states that “*Freestanding hospice facility readmission rates are not publically reported.*” However, on page 58, the applicant states that based on its experience operating the Woltz Hospice Home in Surry County, which has a readmission rate of 67.1 percent, it projects a readmission rate of 67.1 percent for YCC’s hospice inpatient care as shown above.

Deaths

On page 60, the applicant states when it projected the number of patient deaths at YCC, it also projected that 16.1 percent of patients will return to their place of residence. Additionally, the applicant states it anticipates some patients will stabilize in the

facility but will not be able to return to their place of residence, so they will be transferred to a residential bed. Following are projected deaths and discharges for the proposed facility, based on the applicant’s experience operating Woltz Hospice Home, which has a comparable service area.

YCC’s Projected Inpatient Deaths

	FFY 2016 10/01/15-09/30/16	FFY 2017 10/01/16-09/30/17	FFY 2018 10/01/17-09/30/18
Total Admissions	120	126	132
Projected Inpatient Deaths	101	106	110
Other Discharges	19	20	21

On page 62, the applicant states “*MVHPC projects to serve approximately 54.6 percent of hospice deaths in Yadkin County during the third year of the proposed project.*” The applicant states the total projected inpatient hospice deaths at YCC are reasonable because they are based on current experience in Surry County and historical death statistics, demographic trends and information gathered from hospice agency surveys in Yadkin County.

Residential Utilization

In Section III.1, pages 63-65, the applicant describes the assumptions and methodology used to project residential utilization to be provided by YCC during the first three years of operation. On page 63, the applicant projects the two residential beds will be utilized at 98 percent occupancy during the first three years of operation, resulting in 715 total patient days of care [(365 x 2) x 0.98]. On page 64, the applicant states it combined the 2011 and 2012 average length of stay for residential patients at Woltz Hospice House and estimated a 39.8 ALOS as shown below.

YCC’s Projected Residential Utilization

	FFY 2016 10/01/15-09/30/16	FFY 2017 10/01/16-09/30/17	FFY 2018 10/01/17-09/30/18
Number of Unduplicated Patients	18	18	18
Number of Readmissions	0	0	0
Total Admissions	18	18	18
Average Length of Stay (ALOS)	39.8	39.8	39.8
Total Days of Care	715	715	715
Other Discharges	16	16	16
Projected Inpatient Deaths	1	1	1

Note: Totals may not foot due to rounding.

The applicant states the 39.8 ALOS for residential beds at YCC is reasonable when compared to the ALOS for North Carolina of 48.0 and the most recent ALOS for Woltz Hospice Home in 2012 of 58.8.

Hospice Nursing Home Patients

In Section IV.4, pages 84-85, the applicant provides the current number of patients who are residents of nursing homes, the total number of nursing home days of care, the ALOS, and the place of death as shown in the table below.

FFY 2012 MVHPC Patients in Nursing Homes

	Patients Served
# of Hospice Patients in Nursing Homes	14
Total Nursing Home Days of Care	1,712
ALOS	122
Nursing Home as Place of Death	6

On page 84, the applicant states nursing home patients represented approximately 12.96 percent of MVHPC’s hospice agency admissions in Yadkin County.

On page 85, the applicant states that to project nursing home utilization, it applied the 3.8 percent four-year trailing average growth rate, used to project hospice utilization in Yadkin County, to the FFY 2012 utilization as shown below.

MVHPC’s Projected Hospice Patients in Nursing Homes

Year	Nursing Home Patients	Days of Care
FFY 2013	15	739
FFY 2014	15	767
FFY 2015	16	796
FFY 2016	16	826
FFY 2017	17	857
FFY 2018	17	890

In summary, the applicant’s projected utilization is reasonable based on the assumptions and methodology provided.

Access to Services

In Section VI.5, page 94, the applicant states

“MVHPC 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. MVHPC has historically provided substantial care and services to all of the above persons at its Woltz Hospice Home, and in all of its hospice and home care agencies, including the Yadkin County hospice home care agency.”

The applicant states Exhibit 2 contains a copy of the 2013 Yadkin County Hospice Homecare Agency Supplement to Licensure Application which reflects MVHPC has served 95 percent Medicare and Medicaid recipients, 81 percent elderly, 45 percent female, and 1 percent racial and ethnic minorities.

In summary, the applicant adequately identifies the population to be served, demonstrates the need to develop the proposed hospice inpatient facility and the extent to which all residents of the service area are likely to have access to the services proposed. Additionally, the applicant adequately demonstrates the projected utilization will exceed the performance standards as stated in 10A NCAC 14C .4003. Therefore the application is conforming to 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.14, pages 76-79, the applicant describes the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo – the applicant states on page 77 that this alternative is not the most effective because it is not responsive to the need for hospice services in Yadkin County. “*Currently, Yadkin County does not host a hospice inpatient facility.*” The applicant states hospice patients needing inpatient services must be referred to out-of-county facilities that are currently operating at high capacity.
- 2) Pursue a joint venture – the applicant states on page 78 that this alternative is not the most effective because MVHPC is the largest provider of hospice services in Yadkin County with sufficient demand among its own patients and increasing volume for hospice services.
- 3) Develop an inpatient facility at another location – the applicant states on pages 78-79, “*...no other location represented a better alternative.*” The applicant states the proposed location will serve a greater number of local patients, provide convenient access, have lower capital costs to acquire the land, and will enable a comfortable home-like setting.

Furthermore, the application is conforming to all other statutory review criteria. Therefore, the application is approvable. An application that cannot be approved is not an effective alternative.

In summary, the applicant adequately demonstrates that its proposal is the 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. **Hospice of Surry, Inc. d/b/a Mountain Valley Hospice and Palliative Care d/b/a Yadkinville Care Center shall materially comply with all representations made in its certificate of need application and supplemental information provided. In those instances where representations conflict, Hospice of Surry, Inc. d/b/a Mountain Valley Hospice and Palliative Care d/b/a Yadkinville Care Center shall materially comply with the last made representations.**
 2. **Hospice of Surry, Inc. d/b/a Mountain Valley Hospice and Palliative Care d/b/a Yadkinville Care Center shall be licensed for a total of six hospice beds comprised of four hospice inpatient and two hospice residential beds upon completion of this project.**
 3. **Hospice of Surry, Inc. d/b/a Mountain Valley Hospice and Palliative Care d/b/a Yadkinville Care Center 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.

C

In Section VIII.1, page 108, the applicant projects that the total capital cost of the project will be \$3,541,722 as shown in the table below.

Projected Capital Costs

Land Purchase (A.1)	\$154,560
Architect & Engineering Fees (C.16)	\$198,867
Land Fees and Costs (A.2-4)	\$10,000
Construction Contract/Site Preparation/Storm Water Retention (A.5-6, B.8)	\$2,440,030
Equipment/Furniture (C.14)	\$225,000
Design/Construction and Project Contingency Fees (B.11, C.20)	\$330,765
Interest/Financing/Consultant Fees (C.17-19)	\$182,500
Total Capital Cost	\$3,541,722

In Section VIII, page 107, the applicant states in addition to this CON proposal to build the Yadkinville Care Center, MVHPC plans to use the same contractor to build a non-CON project which is a new administrative building for its existing Yadkinville hospice home care agency, currently operating in leased space. The applicant states the administrative building will be on the same site, but in a separate building from the proposed Yadkinville Care Center. The applicant provides site acquisition and site developments costs for both projects and allocates the costs to each project based on the total square footage for each facility.

Exhibit 13 contains letters from the architect which indicate the total estimated construction cost for the Yadkinville Care Center is \$3,359,222, which does not include the Interest/Financing/Consultant Fees of \$182,500 shown above. For informational purposes, the applicant also provides the construction cost estimate for the Yadkinville Administrative Building, which is not a part of this CON review, and the total cost for both projects. These construction projections in Exhibit 13 are consistent with the information provided in Section VIII of the application.

In Section IX.1-4, pages 113-114, the applicant states start-up and initial operating expenses required for the project will total \$190,000 and that the source of the working capital will be \$190,000 from MVHPC's unrestricted cash. Exhibit 16 contains a letter from the President and CEO of MVHPC which states it will use a commercial loan to fund three million dollars of the project capital costs and "*Mountain Valley Hospice and Palliative Care will fund the balance of the capital cost and all of the working capital requirements through accumulated cash reserves.*"

In Section VIII.6, page 110, the applicant states "*MVHPC will fund the project via a public campaign, accumulated reserves, and a bank loan. Short term, the project capital costs will be funded primarily via a bank loan, and also via accumulated reserves.*"

Exhibit 16 contains a letter from a commercial lender expressing a strong interest in providing financing for this project. In addition, Exhibit 16 contains the audited financial statements for Hospice of Surry County, Inc. d/b/a Mountain Valley Hospice and Palliative Care for the years ending September 30, 2012 and 2011. As of September 30, 2012, MVHPC had cash and cash equivalents of \$4,838,773, total assets of \$12,574,777 and total net assets of \$9,823,260. The applicant adequately

demonstrates the availability of sufficient funds for the capital needs of the proposed project.

In Section XIII, the applicant provides pro forma financial statements for the first three years of the project. The applicant projects revenues will exceed operating expenses in all three years of the project for **inpatient** days of care. However, the applicant projects expenses will exceed revenues in all three years of the project for **residential** services. The applicant combines the inpatient days of care and the residential days of care and projects a positive net profit for the entire facility in the third operating year of the project, as illustrated in the table below.

Yadkinville Care Center (YCC)

4-Bed Inpatient Hospice Facility	Project Year 1 10/1/15-9/30/16	Project Year 2 10/1/16-9/30/17	Project Year 3 10/1/17-9/30/18
Projected # of days	1,309	1,369	1,432
Projected Average Charge	\$656	\$635	\$615
Total Patient Revenue	\$913,879	\$955,489	\$999,088
Total Operating Expenses	\$859,403	\$869,920	\$879,904
Net Profit	\$54,476	\$85,570	\$119,184
2-Bed Residential Hospice Facility			
Projected # of days	715	715	715
Projected Average Charge	\$376	\$375	\$375
Total Patient Revenue	\$175,421	\$175,421	\$175,421
Total Operating Expenses	\$268,820	\$267,995	\$268,008
Net Profit	\$(93,399)	\$(92,574)	\$(92,587)
6-Bed Inpatient and Residential Hospice Facility Combined			
Projected # of days	2,025	2,085	2,147
Total Patient Revenue	\$1,089,300	\$1,130,910	\$1,174,509
Total Operating Expenses	\$1,128,223	\$1,137,915	\$1,147,912
Combined Net Profit	\$(38,923)	\$(7,004)	\$26,596

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the pro forma in Section 13 for the assumptions regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, 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.

The applicant proposes to construct and operate a hospice facility with four hospice inpatient beds and two hospice residential beds in Yadkin County pursuant to an adjusted need determination for four hospice inpatient beds in the 2013 SMFP. MVHPC currently operates hospice home care agencies located in Yadkin and Surry counties and a hospice inpatient facility in Surry County. In Section VI, page 93, the applicant states *“MVHPC is the only hospice agency licensed in Yadkin County, and the only agency that substantially serves Yadkin County.”*

In Section I.12, page 10, the applicant states *“Patients will have an alternative to being admitted to a hospital, and will no longer have to be placed on lengthy waitlists for hospice inpatient facilities located outside of Yadkin County.”*

In Section III.1, page 33, the applicant states Yadkin County residents suffer from several hospice-related diagnoses and have increasing hospice days of care at rates higher than the state average. Additionally, the applicant states regional capacity at hospice inpatient facilities is near capacity as shown in the table below.

Regional Hospice Inpatient Facilities

Facility Name	Facility County	FFY 2011 Occupancy	Distance from Yadkinville	
Woltz Hospice Home (MVHPC)	Surry	95.7%	20 miles	26 min.
Kate B. Reynolds Hospice Home	Forsyth	80.0%	24 miles	28 min.
Hospice Home at High Point	Guilford	105.4%	43 miles	50 min.
Beacon Place	Guilford	60.0%	59 miles	64 min.
Gordon Hospice Home	Iredell	71.3%	34 miles	35 min.
Hospice of Rockingham County	Rockingham	93.7%	67 miles	82 min.
Catawba Valley Hospice House	Catawba	93.1%	64 miles	62 min.

Source: Section III.1, page 44 of application.

The applicant provides data on pages 48-49 of the application documenting that from FFY 2007 – FFY 2011, the four year compound annual growth rate (CAGR) in hospice days of care was 6.3 percent compared with the state CAGR of 2.0 percent. Additionally, the four year trailing average growth rate for hospice days of care per 1,000 population for the same period was 5.8 percent compared with the state average of 0.5 percent.

Therefore, the applicant adequately demonstrates that the proposal will not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Consequently, the application is conforming to 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 Table VII.2, page 101, the applicant provides the proposed staffing for YCC in the second operating year, FFY 2017, as shown in the table below.

	Inpatient Hospice FTEs	Residential Hospice FTEs	Total FTEs
Routine Services			
Medical Director	0.40	0.04	0.44
Director of Nursing/ Facility Manager	0.34	0.16	0.50
Registered Nurse	3.79	0.42	4.21
Nursing Assistant	2.82	1.39	4.21
Dietary			
Cooks	0.71	0.34	1.05
Social Work Services			
Social Worker	0.34	0.16	0.50
Housekeeping			
Housekeepers/Laundry	0.35	0.16	0.50
Administrative			
Volunteer Coordinator	0.17	0.08	0.25
Chaplain	0.34	0.16	0.50
Total Positions/Hours/FTEs	9.26	2.91	12.16

On page 104, the applicant projects the number of direct care staff on each shift in a 24-hour day. The applicant projects that a minimum of two staff members will be on duty at all times, including at least one registered nurse and one aide per shift.

The applicant states “MVHPC will operate two ‘Baylor’ 12-hour staffing shifts seven days per week.” Volunteers will work eight hour shifts. On page 105, the applicant projects that in the second year of operation it will provide 10.05 nursing hours per patient day (NH\PPD) for inpatient services [(37.68 hours per day x 365 days = 13,753 hours) / 1,369 inpatient patient days of care = 10.05 NH\PPD].

The applicant adequately demonstrates 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 26-28, the applicant states that YCC will provide hospice services similar to those offered at the Woltz Hospice Home in Surry County. These services include nursing services, dietary services, counseling services, spiritual care, bereavement services, volunteer services, social work services, physician services, and ancillary services. In Section II.2, page 23, the applicant states it currently provides the above services as a licensed Medicare/Medicaid certified hospice.

Exhibit 5 contains letters of intent from ancillary service providers expressing their support for the project and their intention to provide services to YCC. In Section V.2, page 87, the applicant states that MVHPC currently has transfer agreements with 12 area healthcare providers, including Hugh Chatham Memorial Hospital, Northern Hospital of Surry County, Yadkin Valley Community Hospital, Forsyth Medical Center, Moses H. Cone Memorial Hospital, and North Carolina Baptist Hospital. Exhibit 9 contains a copy of MVHPC's patient transfer policy and a copy of the ambulance service agreements. The applicant states the proposed project will be incorporated into the existing transfer agreements. Exhibits 19-21 contain letters of support from the community for the proposed project. Exhibit 3 contains a letter from Dr. Glenn Golaszewski indicating his intent to serve as the Medical Director for YCC.

The applicant adequately demonstrates that 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 conforms 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

The applicant proposes to build a new inpatient hospice facility. In Section XI.7, pages 138-140, the applicant states the proposed facility will have 11,272 square feet of space. On page 140, the applicant projects a construction cost of \$209 per square foot with a total cost of \$314 per square foot. The applicant states it has not completed a subsoil inspection, but a portion of the primary site was developed in 2006 with no extraordinary site development costs.

Exhibit 13 contains construction cost estimates and line drawings from a licensed architect verifying the total estimated project costs of \$3,359,222. When the interest, financing and consulting expenses totaling \$182,500 are included, the total project cost is \$3,541,722 and is consistent with the information provided by the applicant in Section VIII.1, page 108. In Section X.9, page 123, the applicant describes methods it will use to maintain energy efficiency and water conservation and contain the costs of utilities at the proposed hospice facility, which include watt-stopper software, low flow plumbing fixtures, low energy windows, increased natural lighting and water reclamation for irrigation. See Criterion (5) for discussion of costs and charges which is hereby incorporated as if set forth fully herein.

- The applicant adequately demonstrates that the cost and design of the facility are reasonable, that the construction costs will not unduly increase the costs of the proposed services, and that applicable energy saving features have been incorporated into the construction plans. Therefore, the application is conforming with 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

In Section VI.1, page 92, the applicant provides the payor mix during FFY 2012 for the current MVHPC hospice agency in Yadkin County, as shown in the table below.

Payor Category	Hospice Patients	Hospice Days of Care
Medicare	92.4%	94.1%
Medicaid	2.1%	2.8%
Commercial	4.1%	1.5%
Self Pay/Charity	1.4%	1.5%
Total	100.0%	100.0%

In Section VI.5, pages 94-95, the applicant states

“MVHPC 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.

...

MVHPC anticipates that persons aged 65 and older will comprise the largest cohort of patients served in the proposed hospice facility. For example, patients aged 65+ represented 80.5% of hospice patient for MVHPC’s Yadkin County agency during FY2012.

...

The proposed inpatient facility will be handicapped accessible, and will conform to the North Carolina State Building Code, the National Fire Protection Association 101 Life Safety Code, the Rules Governing to the Licensure of Hospices in North Carolina, ANSI Standards for Handicapped Access, the North Carolina Office of State Construction, the North Carolina Department of Insurance and any other requirement of federal, state, and local bodies.”

Exhibit 4 contains a copy of MVHPC’s inpatient admission policies. Exhibit 10 contains a copy of MVHPC’s financial policies.

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 for Yadkin County and statewide.

	2011 Total # of Medicaid Eligibles as % of Total Population *	2011 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2008-09 % Uninsured (Estimate by Cecil G. Sheps Center) *
Yadkin County	17%	6.60%	18.7%
Statewide	17%	6.71%	19.7%

* More current data, particularly with regard to the estimated uninsured percentages, was not available.

The majority of Medicaid eligibles are children under the age of 21. This age group would not typically utilize the health services proposed in this application, particularly the services offered by hospice inpatient facilities.

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. Yadkin County was 53.5% and 29.3% respectively. 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 applicant's 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.

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 FFY 2011.

NC Hospice Patients by Payor Mix

Payor Category	% of	% of
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	Patient Days	Patient Counts
Hospice Medicare	91.6%	86.3%
Hospice Medicaid	3.4%	4.9%
Hospice Private Insurance	3.4%	5.9%
Self Pay	1.2%	2.2%
Other	0.4%	0.6%
Total	100.0%	100.0%

Source: The 2011 Carolinas Center for Hospice and End of Life Care Hospice Data & Trends Report, Hospice Patients and Days of Care by Payor Source, page 9.

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

Hospice Patients Admitted by Race and Ethnicity

Admissions by Race	% of Hospice Patients 2011 NC Data	% of Hospice Patients 2010 NC Data	% of Hospice Patients 2010 National Data
White/Caucasian	80.1%	80.5%	77.3%
Black/African American	13.6%	15.4%	8.9%
Other Race	2.5%	2.7%	11.0%
American Indian or Alaskan Native	1.0%	1.0%	0.3%
Asian, Hawaiian, Other Pacific Islander	2.7%	0.4%	2.5%
Total	100.0%	100.0%	100.0%
Ethnicity			
Hispanic or Latino Origin	1.0%	0.7%	5.7%
Non-Hispanic or Latino Origin	99.0%	99.3%	94.3%
Total	100.0%	100.0%	100.0%

Source: The 2011 Carolinas Center for Hospice and End of Life Care Hospice Data & Trends Report, Hospice Patients and Days of Care by Payor Source, page 4.

The following table shows North Carolina and national hospice patients by age groups, which indicate more than 80% are age 65+ and would be Medicare eligible.

Hospice Patients by Age Categories

Age Category	% of Hospice Patients 2011 NC Data	% of Hospice Patients 2010 NC Data	% of Hospice Patients 2010 National Data
0-34	0.8%	0.8%	1.3%
35-64	16.5%	17.4%	16.1%
65-74	18.2%	18.4%	15.9%
75+	64.5%	63.4%	66.8%
Total	100.0%	100.0%	100.0%

Source: The 2011 Carolinas Center for Hospice and End of Life Care Hospice Data & Trends Report, Hospice Patients and Days of Care by Payor Source, page 2.

The applicant demonstrates that medically underserved populations have adequate access to existing services; 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

In Section VI.10, page 98, the applicant states that there have been no such complaints filed against MVHPC. 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 93, the applicant provides the projected payor mix for inpatient and residential services for the second year of operation (FFY 2017) at the proposed new facility, as shown in the table below.

YCC's Projected Payor Mix FY 2017

Payor Category	Hospice Inpatients and Residents	Hospice Inpatient and Hospice Residential Days of Care
Medicare	92.4%	94.1%
Medicaid	2.1%	2.8%
Commercial Insurance	4.1%	1.5%
Self Pay/Charity	1.4%	1.5%
Total	100.0%	100.0%

The applicant states it based YCC's projected payor mix on the FFY 2012 actual payor mix of its hospice home care agency in Yadkin County. The

applicant states its Yadkin agency has 73 percent market share of Yadkin County admissions and 79 percent market share of days of care and deaths. On page 94, the applicant states *“The few other agencies that serve Yadkin County do not provide payor mix information separated by patient county of residence. Therefore, MVHCP does not believe that using payor mix data from their 2013 LRAs is a reasonable representation of the projected Yadkin County payor mix.”*

The projected payor mix is consistent with the statewide hospice payor mix provided in the FY 2011 annual report from The Carolinas Center for Hospice and End of Life Care. The applicant adequately demonstrates that medically underserved groups will be adequately served by the proposed 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, page 96, the applicant states

“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, hospitals, nursing facilities, adult care homes, home health agencies, and other hospice agencies.”

The applicant adequately demonstrates the range of means by which a person will have access to the 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.

C

In Section V.1, page 86, the applicant states MVHPC currently has training agreements with Garner-Webb University, Surry Community College, and Wytheville Community College. The applicant states the proposed facility will be incorporated into all existing MVHPC training agreements.

Exhibit 11 contains a copy of a training program affiliation agreement between MVHPC and Gardner-Webb University and a letter of support from Surry Community College for YCC. The applicant adequately demonstrates that the facility will

accommodate the clinical needs of health professional training programs in the area. 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

The applicant proposes to construct and operate a new four-bed hospice inpatient and two-bed hospice residential facility in Yadkin County pursuant to an adjusted need determination for four hospice inpatient beds in the 2013 SMFP. The new facility will be known as Yadkinville Care Center (YCC). The applicant also plans to build a new administrative building to house the existing Yadkinville Hospice Home Care. MVHPC currently operates hospice home care agencies located in Yadkin and Surry counties and a hospice inpatient facility in Surry County.

In Section VI, page 93, the applicant states “*MVHPC is the only hospice agency licensed in Yadkin County, and the only agency that substantially serves Yadkin County.*”

In Section V.7, pages 89-91, the applicant discusses the impact of the project as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicant 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 hospice services in Yadkin County. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need to construct and operate a new four-bed hospice inpatient and two-bed hospice residential facility in Yadkin County and that it is a cost-effective alternative (see Section III of the application);
- The applicant adequately demonstrates that it will continue to provide quality services (see Sections II and V of the application);
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations (see Sections III, V, and VI of the application); and
- The proposal will have a positive impact on competition by providing residents with increased access to quality services (see Sections II and VI of the application).

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

The applicant proposes to develop a new four-bed hospice inpatient and two-bed hospice residential facility in Yadkin County. MVHPC currently operates hospice home care agencies located in Yadkin and Surry counties and a hospice inpatient facility in Surry County.

According to the Acute and Home Care Licensure and Certification Section, Division of Health Service Regulation (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 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.

C

The application is conforming to all applicable Criteria and Standards for Hospice Inpatient Facilities and Hospice Residential Care Facilities 10A NCAC 14C .4000. The specific criteria are discussed below.

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 applicant used the correct application 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 14-16, the applicant provides the projected number of hospice inpatient, residential and respite admissions, deaths, and other discharges to be served at YCC in each of the first three years following completion of the project as shown in the table below. The methodology and assumptions used to develop the projections are provided in Section III.1, pages 33-65. See Criteria (3) for the discussion on methodology and assumptions, which is incorporated hereby as if set forth fully herein.

YCC's Projected Patients by Level of Care

Level of Care	Year 1 FFY 2016	Year 2 FFY 2017	Year 3 FFY 2018
Inpatient			
Patients	120	126	132
Unduplicated Admissions	40	41	43
Deaths	101	106	110
Other Discharges*	19	20	21
Residential			
Patients	18	18	18
Unduplicated Admissions	18	18	18
Deaths	1	1	1
Discharges**	16	16	16
Respite***	0	0	0

* Includes patients who are transferred from an inpatient bed to a residential bed, to another provider facility, such as a hospital or returned to home.
 ** Includes patient who are returned to a nursing home or place of residence.
 *** YCC does not project respite days of care based on MVHPC's existing home care agency experience and the size of the proposed facility in Yadkin County.

- (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- In Section II.2, page 17 and Exhibit 14, the applicant projects the annual number of hospice patients, admissions, deaths, and other discharges to be served by MVHPC's licensed hospice agencies in each of the first three years following completion of the project as shown in the table below. The methodology and assumptions used to develop the projections are provided in Section III.1, pages 33-65. See Criteria (3) for the discussion on methodology and assumptions, which is incorporated hereby as if set forth fully herein.

**Projected Utilization for MVHPC's
 Yadkin and Surry County Licensed Hospice Operations**

Level of Care	Year 1 FFY 2016	Year 2 FFY 2017	Year 3 FFY 2018
Routine Home Care			
Days of Care	85,821	89,065	92,432
Patients	2,005	2,081	2,160
Admissions	1,069	1,109	1,151
Deaths	959	995	1,033
Other Discharges	177	183	190
Inpatient			
Days of Care	6,087	6,317	6,556
Respite			
Days of Care	121	125	130
Total Agency			
Days of Care	92,029	95,507	99,118
Patients	2,005	2,081	2,160
Admissions	1,069	1,109	1,151
Deaths	959	995	1,033
Other Discharges	177	183	190

(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 17, the applicant projects the annual number of patient care days for inpatient, residential and respite levels of care, respectively, as shown in the table below. The methodology and assumptions used to develop the projections are provided in Section III.1, pages 51-65. See Criteria (3) for the discussion on methodology and assumptions, which is incorporated hereby as if set forth fully herein.

YCC Projected Patient Care Days

Level of Care	Year 1 FFY 2016	Year 2 FFY 2017	Year 3 FFY 2018
Inpatient Days of Care	1,309	1,369	1,432
Residential Days of Care	715	715	715
Respite Days of Care*	0	0	0

* YCC does not project respite days of care based on MVHPC's existing home care agency experience and the size of the proposed facility in Yadkin County.

(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, page 18 and Section IV.3, pages 82-83, the applicant projects the ALOS for the inpatient, residential, and respite levels of care, respectively, as shown in the table below. The methodology and assumptions used to develop the projections are provided in Section III.1, pages 51-65. See Criteria (3) for the discussion on methodology and assumptions, which is incorporated hereby as if set forth fully herein.

YCC's Projected Average Length of Stay (ALOS)

ALOS	FFY 2016	FFY 2017	FFY 2018
Inpatient	10.9	10.9	10.9
Residential	39.8	39.8	39.8
Respite	0.0	0.0	0.0

* YCC does not project respite days of care based on MVHPC's existing home care agency experience and the size of the proposed facility in Yadkin County.

(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 18, the applicant projects the anticipated readmission rates for inpatient, residential and respite levels of care, respectively, as shown in the table below. The methodology and assumptions used to develop the projections are provided in Section III.1, pages 51-65. See Criteria (3) for the discussion on methodology and assumptions, which is incorporated hereby as if set forth fully herein.

YCC's Projected Readmission Rates

ALOS	FFY 2016	FFY 2017	FFY 2018
Inpatient	67.1%	67.1%	67.1%
Residential	0.0%	0.0%	0.0%
Respite	N/A	N/A	N/A

* YCC does not project respite days of care based on MVHPC's existing home care agency experience and the size of the proposed facility in Yadkin County.

On page 19, the applicant states freestanding hospice facility readmission rates are not publically reported. As a result, on page 18, the applicant states "MVHPC projects readmission rates consistent with its

experience operating a hospice inpatient and residential care facility in adjacent Surry County.”

On page 19, the applicant states that based on its experience providing hospice services, it does not anticipate readmissions to the residential care beds.

- (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;*

- C- In Section II.2, page 20, the applicant provides the projected average cost per patient day by level of care as shown in the table below. In Section XIII, the applicant provides the assumptions and pro forma statements.

YCC’s Projected Cost per Patient Care Day

Year	Inpatient	Residential	Respite
FFY 2016	\$656	\$376	N/A
FFY 2017	\$635	\$375	N/A
FFY 2018	\$615	\$375	N/A

- (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, page 21, the applicant states

“Based on its 30 years of community service as a local healthcare provider, MVHPC has long-standing, established referral relationships with physicians, hospitals, and other healthcare facilities in Yadkin County and surrounding communities. Many of these referral sources support MVHPC’s proposed project. Please refer to Exhibits 19, 20, and 21 for letters of support from some of these referral sources.”

The applicant also states it projects referrals will come from MVHPC’s various hospice agencies located in Yadkin and Surry counties.

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

- C- In Section II.2, page 21, the applicant states it projects referrals will come from MVHPC's various hospice agencies in Yadkin and Surry counties. MVHPC currently serves approximately 80 percent of hospice admissions in Yadkin County and approximately 40 percent of hospice admissions in Wilkes County. Additionally, the applicant states MVHPC has received letters of support from physicians, hospitals, and nursing homes serving Yadkin County and the surrounding communities.
- (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;*
- NA- MVHPC is a licensed hospice.
- (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- MVHPC is a licensed hospice and 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- Exhibit 4 contains a copy of the applicant's Admission Policy. MVHPC states it will use Woltz Hospice Home's existing admission policies as a model for the Yadkin hospice facility.

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 IV.2, page 81, the applicant projects an average occupancy rate for the licensed beds for each level of care to be in excess of 50 percent for the last six months of the first operating year (FFY 2016) following completion of the project as shown in the table below. The

methodology and assumptions used to develop the projections are provided in Section III.1, pages 51-65. See Criteria (3) for the discussion on methodology and assumptions, which is incorporated hereby as if set forth fully herein.

**FFY 2016
 YCC's Projected Quarterly Utilization**

Qtr	Inpatient				Qtr	Residential			
	Patient Days	Occupancy Rate	# of Beds	Total* Patients		Patient Days	Occupancy Rate	# of Beds	Total Patients
1st	327	89.7%	4	30	1st	179	98.0%	2	4
2nd	327	89.7%	4	30	2nd	179	98.0%	2	4
3rd	327	89.7%	4	30	3rd	179	98.0%	2	4
4th	327	89.7%	4	30	4th	179	98.0%	2	4
2016 Total	1,309	89.7%	4	120	2016 Total	715	98.0%	2	18

* Includes duplicated patients.

Note: Totals may not foot due to rounding.

(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- In Section IV.2, page 81, the applicant projects an average occupancy rate of the licensed beds for each level of care to be in excess of 65 percent for the second operating year (FFY 2017) following completion of the project, as shown in the table below. The methodology and assumptions used to develop the projections are provided in Section III.1, pages 51-65. See Criteria (3) for the discussion on methodology and assumptions, which is incorporated hereby as if set forth fully herein.

**FFY 2017
 YCC's Projected Quarterly Utilization**

Qtr	Inpatient				Qtr	Residential			
	Patient Days	Occupancy Rate	# of Beds	Total* Patients		Patient Days	Occupancy Rate	# of Beds	Total Patients
5 th	342	93.8%	4	31	5th	179	98.0%	2	4
6 th	342	93.8%	4	31	6th	179	98.0%	2	4
7 th	342	93.8%	4	31	7th	179	98.0%	2	4
8 th	342	93.8%	4	31	8 th	179	98.0%	2	4
2017 Total	1,369	93.8%	4	126	2017 Total	715	98.0%	2	18

* Includes duplicated patients.

Note: Totals may not foot due to rounding.

(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 existing hospice residential 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- The applicant is not proposing to add hospice inpatient beds to an existing hospice inpatient 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- The applicant does not propose to add residential care beds to an existing 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 23, the applicant states “As a licensed Medicare/Medicaid-certified hospice, MVHPC currently provides the above listed core services. These services will be available and provided to patients in the proposed Yadkin hospice inpatient facility.” The applicant provides documentation that the

services required by this rule will be provided by YCC in Section II.3, Section VII, and Exhibit 5.

- (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 VII.5, page 104, the applicant demonstrates that nursing services will be available 24 hours a day, seven days a week. In Section II.2, page 24, the applicant also states that nursing services will be available 24 hours a day, seven days a 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 Exhibit 5, the applicant provides a copy of a letter from Yadkin Valley Pharmacy documenting that pharmaceutical services will be provided.
- (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- In Exhibit 5, the applicant provides copies of letters from Trinity Infusion, Yadkin Valley Pharmacy and Hugh Chatham Memorial Hospital. The letters document that Trinity Infusion will provide infusion services, Yadkin Valley Pharmacy will provide pharmacy services, and High Chatham Memorial Hospital will provide physical therapy, speech therapy, occupational therapy and dietary services.

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 II.2, page 24, the applicant states the staffing of the inpatient hospice facility will comply with the requirements of N.C.G.S. 131E, Article 10. In Section VII, the applicant provides staffing information.
- (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 24, the applicant states

“Please refer to Section VII.3 for staffing details, documenting that the proposed facility will be staffed in a pattern consistent with licensure requirements as specified in the Hospice Licensing Rules. MVHPC has demonstrated the ability to routinely maintain staffing patterns consistent with G.S. 131E, Article 10 as well as licensure rules, in the organization’s existing inpatient facility and home care services programs.”

(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 25, applicant states all staff will meet the requirements as specified in 10A NCAC 13K .0400. Exhibit 7 contains copies of policies related to staff orientation and continuing education for staff and volunteers.

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, page 25, the applicant describes the home-like setting it will provide in the facility. The applicant states *“All aspects of the facility will consider the comfort and care of the patients, their families and loved ones in order to surround them with the comforts of home even when they can no longer be at home.”*

(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- In Section II.2, page 26, the applicant states *“All services in the proposed facility 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.”*

(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- Exhibit 12 contains a letter of intent from the MVHPC Executive Director to acquire the primary or secondary site if the application is approved. The same Exhibit contains letters from the owners of both sites indicating the properties are available. In Section II.2, page 26, the applicant states “*Please refer to Section XI and Exhibit 12 for details.*”