

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: January 28, 2014
FINDINGS DATE: February 3, 2014
PROJECT ANALYST: Kim Randolph
INTERIM CHIEF: Martha J. Frisone

PROJECT I.D. NUMBERS:

J-10167-13/ J.E.E., LLC (lessor) and Kensington Rehab and Nursing Center, Inc. (lessee)/ Develop a 90-bed nursing facility in Pittsboro/ Chatham County (**Kensington**)

J-10168-13/ Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee)/ Develop a 90-bed nursing facility in Pittsboro/ Chatham County (**Liberty**)

J-10169-13/ Chatham Health Investors, LLC (lessor) and Chatham Healthcare Group, LLC d/b/a Chatham Health and Rehabilitation Center (lessee)/ Develop a 90-bed nursing facility in Chapel Hill/ Chatham County (**Chatham Health**)

J-10170-13/ Chatham Park Investors, LLC (lessor) and University of North Carolina Hospitals at Chapel Hill d/b/a UNC Hospitals Nursing Care and Rehabilitation Center (lessee)/ Develop a 90-bed nursing facility in Pittsboro/ Chatham County (**UNC**)

J-10171-13/ Chatham Healthcare Properties, Inc. (lessor) and PruittHealth – Chatham, LLC (lessee)/ Develop a 90-bed nursing facility in Pittsboro/ Chatham County (**PruittHealth**)

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.

NC - PruittHealth
C - All Other Applications

The 2013 State Medical Facilities Plan (2013 SMFP) establishes a need determination for 90 additional nursing care beds in Chatham County. Five applications for 90 beds were submitted to the Certificate of Need Section. The five applications propose a total of 450 nursing care beds. However, the limit on the number of nursing care beds that may be approved is 90 beds. There are three 2013 SMFP policies applicable to the review: NH-8, GEN-3, and GEN-4. Each proposal and its conformity with the need determination and these policies are briefly described below. See the Summary following the Comparative Analysis for the decision.

J.E.E., LLC (lessor) and Kensington Rehab and Nursing Center, Inc. (lessee) [**Kensington**] propose to develop a 90-bed nursing facility in Pittsboro. The applicants do not propose to develop more than 90 new beds.

Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee) [**Liberty**] propose to develop a 90-bed nursing facility in Pittsboro. The applicants do not propose to develop more than 90 new beds.

Chatham Health Investors, LLC (lessor) and Chatham Healthcare Group, LLC d/b/a Chatham Health and Rehabilitation Center (lessee) [**Chatham Health**] propose to develop a 90-bed nursing facility in Chatham County with a postal address in Chapel Hill. The applicants do not propose to develop more than 90 new beds.

Chatham Park Investors, LLC (lessor) and University of North Carolina Hospitals at Chapel Hill d/b/a UNC Hospitals Nursing Care and Rehabilitation Center (lessee) [**UNC**] propose to develop a 90-bed nursing facility in Pittsboro. The applicants do not propose to develop more than 90 new beds.

Chatham Healthcare Properties, Inc. (lessor) and PruittHealth – Chatham, LLC (lessee) [**PruittHealth**] propose to develop a 90-bed nursing facility in Pittsboro. The applicants do not propose to develop more than 90 new beds.

Policy NH-8: Innovations in Nursing Facility Design in the 2013 SMFP is applicable to this review. Policy NH-8 states

“Certificate of need applicants proposing new nursing facilities, replacement nursing facilities, and projects associated with the expansion and/or renovation of existing nursing facilities shall pursue innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents. These plans could include innovative design elements that encourage less institutional, more home-like settings, privacy, autonomy and resident choice, among others.”

Kensington. In Section III.4, pages 47-49, Section III.1, pages 33-34, Section II.2, pages 20-26 Section XI.6, page 111, Section XI.13, page 113, and Exhibit 4, the applicants describe their “*culture change*” and “*neighborhood design*” approach, direct involvement of the owner in daily operations approach, and other innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of residents. Therefore, the application is conforming with Policy NH-8.

Liberty. In Section III.4, pages 56-62, Section II.3, pages 35-36 and 40-45, Section XI.6, page 125, and Section XI.13, pages 127-128, and Exhibits 14-22, the applicants describe their “*culture change*”, “*home-like settings*” and “*neighborhood design*” approach, and other innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of residents. Therefore, the application is conforming with Policy NH-8.

Chatham Health. In Section III.4, pages 33-34, Section II.2, pages 17-21, and Section XI.13, pages 90-91, the applicants describe their “*culture change*” and “*homelike*” approach which proposes larger semi-private rooms containing a window and HVAC control for each bed, and other innovative approaches in care practices and environmental design that address quality of care and quality of life needs of residents. The applicants discuss work place practices in Section II.2, pages 15-21. Therefore, the application is conforming with Policy NH-8.

UNC. In Section III.4, pages 85-87, Section III.1, pages 67-71, Section II.2, pages 31-41, and Section XI.6, page 161, the applicants describe their “*home-like environment*” and “*neighborhood-like design*” approach, and other innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of residents. Therefore, the application is conforming with Policy NH-8.

PruittHealth. In Section III.4, pages 133-143, Section III.1, pages 113-115, Section II.2, pages 38-44, Section XI.13, pages 242-243 and Exhibits 12, 16, 18, 27-28, 30, 38, 45 and 54-55, the applicants describe their “*home-like settings*” and “*neighborhood design*” concept and other innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents. Therefore, the application is conforming with Policy NH-8.

Policy GEN-3: Basic Principles is also applicable to this review. Policy GEN-3 states

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

Kensington. The applicants describe how they believe their proposal will promote safety and quality in Section III.4, pages 43-44, Section V.6, pages 65-66, Section II.5, pages 29-30, Section II.2, page 24, and Section II.6, page 32. The information provided by the applicants is reasonable, credible and supports the determination that the applicants’ proposal will promote safety and quality.

The applicants describe how they believe their proposal will promote equitable access in Section VI, pages 69-71, Section III.4, page 43, and Section V.6, page 66. The information provided by the applicants is reasonable, credible and supports the determination that the applicants’ proposal will promote equitable access.

The applicants describe how they believe their proposal will maximize health care value for resources expended in Section III.4, page 43, Section V.6, page 65, Section III.2, pages 39-42, Section IV, pages 53-60, Section X, pages 97-104, Section XI.13, pages 113-114 and the applicants’ pro forma financial statements. The information provided by the applicants is reasonable, credible and supports the determination that the applicants’ proposal will maximize health care value for resources expended.

Kensington adequately demonstrates how its proposal will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. Therefore the application is conforming with Policy GEN-3.

Liberty. The applicants describe how they believe their proposal will promote safety and quality in Section III.4, page 56 and Exhibit 9, Section V.6, page 78, Section II.2, pages 18-22, Section II.5, page 43, and Section II.6, page 46 and Exhibit 10. The information provided by the applicants is reasonable, credible and supports the determination that the applicants’ proposal will promote safety and quality.

The applicants describe how they believe their proposal will promote equitable access in Section VI, pages 79-82 and Exhibit 28, and Section III.4, pages 55-56. The information provided by the applicants is reasonable, credible and supports the determination that the applicants’ proposal will promote equitable access.

The applicants describe how they believe their proposal will maximize health care value for resources expended in Section III.4, page 55, Section III.1, page 50, Section IV, pages 69-75, Section X, pages 113-118, Section XI.13, pages 127-128, and the applicants’ pro forma financial statements. The information provided by the applicants is reasonable, credible and supports the determination that the applicants’ proposal will maximize health care value for resources expended.

Liberty adequately demonstrates how its proposal will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. Therefore the application is conforming with Policy GEN-3.

Chatham Health. The applicants describe how they believe their proposal will promote safety and quality in Section III.4, page 34, Section II.2, page 18, Section II.5, page 23 and Exhibits 3-4, and Section II.6, page 24. The information provided by the applicants is reasonable, credible and supports the determination that the applicants' proposal will promote safety and quality.

The applicants describe how they believe their proposal will promote equitable access in Section VI, pages 51-52 and Exhibit 14, Section V.6 pages 48-49, Section IV.3, pages 43-44 and Exhibit 6, and Section III.4, page 34. The information provided by the applicants is reasonable, credible and supports the determination that the applicants' proposal will promote equitable access.

The applicants describe how they believe their proposal will maximize health care value for resources expended in Section IV, pages 40-44, Section X, pages 78-82, XI.13, pages 90-91, and the applicants' pro forma financial statements. The information provided by the applicants is reasonable, credible and supports the determination that the applicants' proposal will maximize health care value for resources expended.

Chatham Health adequately demonstrates how its proposal will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. Therefore the application is conforming with Policy GEN-3.

UNC. The applicants describe how they believe their proposal will promote safety and quality in Section III.4, pages 88-89 and Exhibit 8, Section V.6, page 110, Section II.5, pages 47-49, and Section II.2, page 33. The information provided by the applicants is reasonable, credible and supports the determination that the applicants' proposal will promote safety and quality.

The applicants describe how they believe their proposal will promote equitable access in Section VI, pages 113-117, Section III.4, pages 89-90, Section V.6, page 111, and Section III.1, pages 62-78. The information provided by the applicants is reasonable, credible and supports the determination that the applicants' proposal will promote equitable access.

The applicants describe how they believe their proposal will maximize health care value for resources expended in Section III.4, pages 87-88, Section V.6, pages 109-110, Section III.1, page 72, Section III.2, pages 80-83, Section X, pages 147-153, and the applicants' pro forma financial statements. The information provided by the applicants is reasonable, credible and supports the determination that the applicants' proposal will maximize health care value for resources expended.

UNC adequately demonstrates how its proposal will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. Therefore the application is conforming with Policy GEN-3.

PruittHealth. The applicants describe how they believe their proposal will promote safety and quality in Section III.4, page 144, Section II.2, pages 39-51, Section II.3, pages 69-74, Section II.5, pages 83-107, Section II.6, pages 108-109, Section III.1, pages 113-114, and Section III.2, page 127 and referenced exhibits. The information provided by the applicants is reasonable, credible and supports the determination that the applicants' proposal will promote safety and quality.

The applicants describe how they believe their proposal will promote equitable access in Section VI, pages 178-181, Section III.4, pages 144-146, and Section V.6, pages 175-176. The information provided by the applicants is reasonable, credible and supports the determination that the applicants' proposal will promote equitable access.

The applicants describe how they believe their proposal will maximize health care value for resources expended in Section III.4, pages 147-148, Section V.6, pages 174-175, Section X, pages 224-230 and Exhibit 53, Section XI.13, pages 242-243, and the applicants' pro forma financial statements. However, the applicants do not adequately demonstrate the financial feasibility of their proposal is based on reasonable projections of costs and charges. See Criterion (5) for discussion of financial feasibility which is incorporated hereby as if set forth fully herein.

PruittHealth adequately demonstrates how its proposal will promote safety and quality in the delivery of health care services while promoting equitable access. However, PruittHealth did not adequately demonstrate that the project will maximize healthcare value for resources expended. Therefore the application is not conforming with Policy GEN-3.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities is also applicable to this review. Policy GEN-4 states

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

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

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for 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."

Kensington. In Section III.4, pages 44-46 and Section XI.14, page 114, the applicants adequately describe the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is conforming with Policy GEN-4.

Liberty. In Section III.4, page 56 and Section XI.14, pages 128-129, the applicants adequately describe the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is conforming with Policy GEN-4.

Chatham Health. In Section III.4, page 35 and Exhibits 8-9, and Section XI.14, page 91 and Exhibit 22, the applicants adequately describe the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is conforming with Policy GEN-4.

UNC. In Section III.4, pages 90-91 and Section XI.14, pages 165-166, the applicants adequately describe the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is conforming with Policy GEN-4.

PruittHealth. In Section III.4, page 148 and Exhibit 41, and Section XI.14, pages 243-244, the applicants adequately describe the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is conforming with Policy GEN-4.

Summary

All 5 applications are conforming to the need determination in the 2013 SMFP for 90 nursing care beds in Chatham County. However, the limit on the number of nursing care beds that may be approved in this review is 90 beds. Collectively, the 5 applicants propose a total of 450 nursing care beds. Therefore, even if all five applications are conforming to all statutory and regulatory review criteria, all five applications cannot be approved.

All 5 applications are conforming to Policy NH-8, and Policy GEN-4.

Four applications are conforming to Policy GEN-3 and one application, PruittHealth, is nonconforming to Policy GEN-3. Therefore, the applications from Kensington, Liberty, Chatham Health, and UNC are conforming with this criterion and the application from PruittHealth is nonconforming with this criterion. See the Summary following the Comparative Analysis for the decision.

- (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
All Applications

Kensington proposes to develop a new 90-bed nursing facility on Lowes Drive, within the Chatham Park development, in Pittsboro. In Section I.12, page 14, the applicants state neither J.E.E., LLC (lessor) nor Kensington Rehab and Nursing Center, Inc. (lessee), owns, manages, or operates any nursing facilities in North Carolina. However, on pages 14-17, the applicants state that three principals of the co-applicants, Robert Evans, Riley Evans, and Florence Johnson hold ownership interests in other nursing facilities in North Carolina including Hillside Nursing Center of Wake Forest; Windsor Point CCRC in Fuquay-Varina; and Brunswick Cove in Leland. Additionally, the CON Section issued a CON to develop a nursing facility in Wake County on July 30, 2013 to applicants E.N.W., LLC and BellaRose Nursing and Rehab Center, Inc., which are related parties to the co-applicants for this project. The applicants for this project also hold ownership interests in three adult care homes in Durham, Pollocksville, and Greenville. In Sections II.2, pages 20-26, Section II.4, pages 28-29, and referenced exhibits, the applicants state they will provide a full range of nursing, ancillary and support services. In Section III.1, pages 33-36, and referenced exhibits, the applicants provide documentation supporting the need for the proposed services.

In Section III.9, page 51, the applicants provide the projected patient origin for the nursing facility beds at the proposed facility during the first full federal fiscal year of operation following completion of the project, as shown in the following table.

County	Percent of Total NF Admissions
Chatham	88%
Orange	5%
Wake	3%
Durham	2%
Alamance	1%
Lee	1%
Total	100%

As shown in the above table, the applicants project that 88% of admissions will be residents of Chatham County. In Section III.9, page 51, and Exhibit 16, the applicants state that projected patient origin is based on the proximity of the proposed site to contiguous counties and historical patient origin for the existing nursing facilities in Chatham County. In Section IV.2, pages 53-57, the applicants provide projected utilization for the first two full federal fiscal years of operation and indicate the third year projections would be identical to the second year projections. In Section IV.2, page 53 and Exhibit 23, the applicants provide the assumptions

and methodology used to project utilization. The applicants adequately demonstrate that projected utilization is based on reasonable assumptions.

In summary, Kensington adequately identifies the population to be served and demonstrates the need this population has for the proposed services. Therefore, the application is conforming to this criterion.

Liberty proposes to develop a new 90-bed nursing facility at the intersection of US 15 501 N and Sunny Acres Road in Pittsboro. In Section I.11, page 10, the applicants state the sole member of Liberty Healthcare Properties of Chatham County, LLC (Liberty Properties) is Liberty Real Properties, LLC. John McNeill, Jr. and Ronald McNeill are the two manager/members of Liberty Real Properties, LLC. The sole member of Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC (Chatham County Rehabilitation Center) is Liberty Long Term Care, LLC. The sole member of Liberty Long Term Care, LLC is Liberty Healthcare Group, LLC. John McNeill, Jr. and Ronald McNeill are the two member/managers of Liberty Healthcare Group, LLC. In Section I.12, pages 10-11, the applicants provide a list of 19 nursing facilities they own or operate in North Carolina. In Section II.3, pages 35-41, the applicants propose a 20-bed secured Alzheimer's/Dementia Special Care Unit (SCU). However, for the period beginning July 31, 2013, and ending July 1, 2016, Session Law 2013-360, Senate Bill 402 Section 12G.1(a) established a moratorium on the issuance of a license for a SCU by the Department of Health and Human Services (DHHS), Division of Health Service Regulation (DHSR). The applicants are not prevented from developing the space as a SCU but the SCU cannot be licensed while the moratorium is in effect unless they obtain an exemption from the Secretary of DHHS. In Sections II.2, pages 15-35, II.3, pages 35-41, and II.4, pages 41-43, the applicants state they will provide a full range of nursing, ancillary and support services. In Section III.1, pages 47-51, and referenced exhibits, the applicants provide documentation supporting the need for the proposed services, including the SCU.

In Section III.9, pages 64-65, the applicants provide the projected patient origin for the proposed facility during the first full federal fiscal year of operation following completion of the project, as shown in the following table.

County	Percent of Total NF Admissions
Chatham	95%
Orange	5%
Total	100%

As shown in the above table, the applicants project that 95% of admissions will be residents of Chatham County. In Section III.9, page 64, the applicants state the projected patient origin is based on the State Medical Facilities Plan, the physical location of the proposed site and Liberty's historical operating experience. In Section IV.2, pages 67-71, the applicants provide projected utilization for the first three full federal fiscal years of operation. In Section IV.2, pages 67 and 133, the applicants provide the assumptions used to project utilization. The applicants adequately demonstrate that projected utilization is based on reasonable assumptions.

In summary, Liberty adequately identifies the population to be served and demonstrates the need this population has for the proposed services. Therefore, the application is conforming to this criterion.

Chatham Health proposes to develop a new 90-bed nursing facility in Chatham County at 460 Henley Road which has a postal address in Chapel Hill. In Section I.11, pages 11-12, the applicants state that James R. Smith and Hunter D. Smith are the two manager/members of Chatham Health Investors, LLC. Saber Health Holdings, LLC is the sole member of Chatham Healthcare Group, LLC. In Section I.12, pages 12-14, and Exhibits 2-4, the applicants state the principals of Chatham Health Investors, LLC own and operate a retirement community; a nursing home development company, Smith/Packett Med-Com, LLC; and two nursing facilities in North Carolina, Dunn Health and Rehabilitation Center in Harnett County and Maggie Valley Health and Rehabilitation Center in Haywood County. The applicants also state Saber Health Holdings, LLC operate Dunn Health and Rehabilitation Center in Harnett County and Azalea Health and Rehabilitation Center in New Hanover County. In Section II.2, pages 15-21, Section II.4, pages 22-23 and Exhibit 13, and other referenced exhibits, the applicants state they will provide a full range of nursing, ancillary and support services. In Section III.1, pages 25-32, and referenced exhibits, the applicants provide documentation supporting the need for the proposed services.

In Section III.9, pages 36-37, the applicants provide the projected patient origin for the proposed facility during the first full federal fiscal year of operation following completion of the project, as shown in the following table.

County	Percent of Total NF Admissions
Chatham	86%
Orange	5%
Wake	3%
Durham	3%
Other	3%
Total	100%

As shown in the above table, the applicants project that 86% of admissions will be residents of Chatham County. In Section III.9, page 37, and Exhibit 6, the applicants state the projected patient origin is based on data in the 2013 Nursing Facility License Renewal Applications, the location of the site and the population demographics in northeast Chatham County. In Section IV.2, pages 40-41, the applicants provide projected utilization for the first two full federal fiscal years of operation. The applicants did not provide third year projections. In Section IV.2, pages 40 and 43, the applicants provide the assumptions and methodology used to project utilization. The applicants adequately demonstrate that projected utilization is based on reasonable assumptions.

In summary, Chatham Health adequately identifies the population to be served and demonstrates the need this population has for the proposed services. Therefore, the application is conforming to this criterion.

UNC proposes to develop a new 90-bed nursing facility on Block F8 within the Chatham Park development in Pittsboro. In Section I.12, page 20, the applicants state neither Chatham Park Investors, LLC (lessor) nor University of North Carolina Hospitals at Chapel Hill d/b/a UNC Hospitals Nursing Care and Rehabilitation Center (lessee), owns, manages, or operates any nursing facilities in North Carolina. However, on page 10, the applicants state that the management company for the proposed facility, Chatham Health and Rehabilitation, LLC, is a subsidiary of SanStone Health and Rehabilitation (SanStone). SanStone currently operates the six nursing facilities in North Carolina listed on page 19 of the application. In Section II.3, pages 42-45, the applicants describe the proposed 10-bed ventilator-dependent care unit for residents. In Sections II.2, pages 31-42, and II.4, pages 46-47, and referenced exhibits, the applicants state they will provide a full range of nursing, ancillary and support services. In Section III.1, pages 52-79, and referenced exhibits, the applicants provide documentation supporting the need for the proposed services, including the vent unit.

In Section III.9, page 94, the applicants provide the projected patient origin for the proposed facility during the first full federal fiscal year of operation following completion of the project, as shown in the following table.

County	Percent of Total NF Admissions
Chatham	48.0%
Orange	13.5%
Wake	11.2%
Durham	5.7%
Lee	4.7%
Randolph	2.3%
Alamance	1.6%
Moore	0.7%
Guilford	0.6%
Harnett	0.5%
Subtotal	88.8%
Other*	11.2%
Total	100.0%

* Includes the 24 NC counties listed on page 94 of the application and other states.

As shown in the above table, the applicants project that 48% of admissions will be residents of Chatham County. In Section III.9, page 95, the applicants state *“The projected patient origin is based on the historical patient origin of Chatham County nursing facilities using FY 2012 data provided in the 2013 nursing facility license renewal applications.”* In Section IV.2, pages 97-99, the applicants provide projected utilization for the first three full federal fiscal years of operation. In Section III.9, pages 99-102, the applicants provide the assumptions and methodology used to project utilization. The applicants adequately demonstrate that projected utilization is based on reasonable assumptions.

In summary, UNC adequately identifies the population to be served and demonstrates the need this population has for the proposed services. Therefore, the application is conforming to this criterion.

PruittHealth proposes to develop a new 90-bed nursing facility on Parcel Number 6683, off Hillsboro Street (accessible near 1157 Hillsboro Street) in Pittsboro. In Section I.12, page 14, the applicants state neither Chatham Healthcare Properties, Inc. (lessor) nor PruittHealth-Chatham, LLC (lessee), owns, manages, or operates any nursing facilities in North Carolina. However, in Exhibit 14 and on page 17 of the application, the applicants state that UHS-Pruitt Corporation (UHS-Pruitt), a wholly owned subsidiary of United Health Services, Inc., currently manages and/or operates 12 nursing facilities in North Carolina and an affiliate manages 4 Veterans nursing facilities in North Carolina. In Sections II.2, pages 38-69, II.3, pages 69-80, and II.4, pages 80-83, and referenced exhibits, the applicants state they will provide a full range of nursing, ancillary and support services. In Section III.1, pages 110-124, and referenced exhibits, the applicants provide documentation supporting the need for the proposed services. In Section III.9, page 150, the applicants provide the projected patient origin for the proposed facility during the first full federal fiscal year of operation following completion of the project, as shown in the following table.

County	Percent of Total NF Admissions
Chatham	100%
Total	100%

As shown in the above table, the applicants project that 100% of admissions will be residents of Chatham County. In Section III.9, page 151, the applicants state the projected patient origin is based on historical use rates of Chatham County residents both within and outside of the county. In Section IV.2, pages 160-163, the applicants provide projected utilization for the first two full federal fiscal years of operation and do not provide the third year projections. In Section IV.2, pages 155-156, the applicants provide the assumptions and methodology used to project utilization. The applicants adequately demonstrate that projected utilization is based on reasonable assumptions.

In summary, PruittHealth adequately identifies the population to be served and demonstrates the need this population has for the proposed services. 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 applicants 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
All Applications

- (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.

NC - PruittHealth
C - All Other Applications

Kensington. In Section III.2, pages 36-42, the applicants describe the alternatives considered which include:

1. Facility location. The applicants state they considered the supply and demand for nursing facility beds by geographic area, selecting Pittsboro based on its access to all residents of Chatham County and its access to the areas of Chatham County with the projected need for nursing facility beds.
2. Case mix. The applicants state the proposed case mix meets the identified need for additional beds for low-income residents and is above the statewide Medicaid case mix percentage.
3. Proposed services. The applicants state they selected an in-house therapy department because their experience indicates this is a more effective delivery option for rehabilitative therapy services.
4. Facility design. The applicants state they chose a neighborhood design with a higher percentage of private rooms versus a traditional design to provide more efficient and effective delivery of care.

Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

Kensington adequately demonstrates that the proposal is its least costly or most effective alternative to meet the need for a new nursing facility in Chatham County. Consequently, the application is conforming to this criterion.

Liberty. In Section III.2, pages 52-54, the applicants describe the alternatives considered which include:

1. Maintain the status quo. Liberty states that not developing the proposed nursing facility was not an effective alternative because this would not address the nursing care bed need determination in Chatham County identified in the 2013 SMFP.

2. Include an Alzheimer's/Dementia Special Care Unit (SCU). The applicants state they determined that developing a SCU was an affective alternative to alleviate the current shortage of Alzheimer beds and meet the needs of the community in the future.
3. Develop a facility with fewer than 90 beds. Liberty states that developing a nursing facility with fewer than 90 beds is not an effective alternative because 90 beds is generally the minimum number of beds needed in a facility to achieve operational efficiencies in staffing and take advantage of economies of scale.
4. Facility location. The applicants evaluated Williams, Baldwin, Center and Matthews townships to determine which area would be the most effective alternative. Liberty determined that Baldwin and Williams townships would be the most effective alternatives because they indicate the largest bed deficits of any other township in the county. The applicants determined that Center and Matthews townships would not provide the best geographic distribution of beds.

Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

Liberty adequately demonstrates that the proposal is its least costly or most effective alternative to meet the need for a new nursing facility in Chatham County. Therefore, the application is conforming to this criterion.

Chatham Health. In Section III.2, pages 32-33, the applicants describe the alternative considered which was to maintain the status quo. Chatham Health states that not developing the proposed nursing facility was not an effective alternative because this would not address the nursing care bed need determination in Chatham County identified in the 2013 SMFP.

Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

Chatham Health adequately demonstrates that the proposal is its least costly or most effective alternative to meet the need for a new nursing facility in Chatham County. Therefore, the application is conforming to this criterion.

UNC. In Section III.2, pages 79-84, the applicants describe the alternatives considered which include:

1. Maintain the status quo. UNC states that not developing the proposed nursing facility was not an effective alternative because this would not address the nursing care bed need determination in Chatham County identified in the 2013 SMFP or the needs of the patients requiring ventilation services in the service area.
2. Develop a facility with fewer than 90 beds. The applicants state smaller facilities often have difficulty being financially feasible because of the low reimbursement for skilled

nursing services. Additionally, a 90-bed facility is considered optimal for new providers.

3. Utilize an existing facility. UNC states that utilizing an existing facility was not an effective alternative because they could not locate a suitable existing facility in Chatham County available for purchase.
4. Facility location. The applicants state other locations were considered in Chatham County, but the Chatham Park location was the most effective alternative because of its foundation of mixed use development and complimentary land uses allowing for proximity to other healthcare services in the same development.
5. Develop a 90-bed facility without a 10-bed ventilator unit. UNC determined that developing the 90-bed facility without a ventilator unit was not the most effective alternative because *“By improving patient access and offering these specialty services locally, UNC Hospitals can improve the quality of care provided, lower the cost of healthcare provided, and reduce the risk of complications associated with unnecessary patient transport.”*
6. Develop a 90-bed facility without a management company. The applicants determined that developing the 90-bed facility without contracting with a management company was not the most effective alternative because of the scope of services they propose to provide, particularly specialty ventilation services.

Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

UNC adequately demonstrates that the proposal is its least costly or most effective alternative to meet the need for a new nursing facility in Chatham County. Therefore, the application is conforming to this criterion.

PruittHealth. In Section III.2, pages 124-129, the applicants describe the alternatives considered which include:

1. Maintain the status quo. PruittHealth states that not developing the proposed nursing facility was not an effective alternative because this alternative would not address the nursing care bed need determination in Chatham County identified in the 2013 SMFP and the current average occupancy rates above 90 percent of existing nursing facilities.
2. Facility location. The applicants state other locations were considered in Chatham County, but the primary location in Pittsboro was the most effective alternative because of its proximity to other healthcare services, location along a major travel corridor and easy accessibility to the Chatham Park development.

3. Case or bed mix. The applicants state their proposed case mix meets the identified need for private beds, reasonable private pay charges, reasonable Medicaid usage and is above the statewide Medicaid case mix percentage.
4. Add a Specialty Care Unit. PruittHealth states that developing an Alzheimer's Special Care Unit was not an effective alternative because they indicated the current Chatham County need for Alzheimer's services will be addressed by current facilities or facilities under construction. Additionally, with the proposed neighborhood design, the applicants will be able to meet a residents' need for a specialized program of care for Alzheimer's in a limited area within the proposed facility.
5. Facility design. The applicants state they chose a neighborhood design as part of their commitment to a homelike atmosphere and seek to achieve the right balance of safety, sustainability, and comfort.
6. Proposed services. The applicants state they selected the proposed services in response to discussions with Chatham County nursing home advocates.

However, the application is not conforming to all applicable statutory and regulatory review criteria, and thus, the application is not approvable. An application that cannot be approved is not an effective alternative. See discussion on financial feasibility in Criterion (5) which is incorporated hereby as if fully set forth herein.

PruittHealth failed to adequately demonstrate that the proposal is the least costly or most effective alternative to meet the need for a new nursing facility in Chatham County. Consequently, the application is not conforming to this criterion.

- (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.

NC - PruittHealth
C - All Other Applications

Each application was evaluated to determine whether it adequately demonstrates the availability of funds to meet the operating and capital needs of the project; and for financial feasibility based on reasonable projections of costs and charges for each facility's second full federal fiscal year of operation. The costs and charges evaluated for each application include:

- direct (less ancillary) operating cost per patient day;
- private pay charges for both private and semi-private rooms; and

- other issues related to the projected capital costs, operating expenses and revenue of the nursing facilities, including but not limited to, material omissions or inconsistencies in information.

Each facility's projected direct (less ancillary) operating cost per patient day in the second full fiscal year of operation was compared to the FY 2011 Chatham County and statewide average direct (less ancillary) operating cost per patient day. Direct operating costs include nursing care, dietary, social services, and patient activities. The ancillary cost is excluded from the direct operating cost in this comparison because many nursing homes contract with private companies which bill ancillary costs for private pay and Medicaid patients to Medicare Part B.

Indirect operating costs include laundry and linen, housekeeping, plant operation and maintenance, property ownership and use, and general and administrative. Indirect costs will vary depending on the characteristics of the proposed facility, such as, number of square feet and number of private rooms. Therefore, the Agency is unable to draw any conclusion, at this time, regarding the reasonableness of the facility's projected indirect costs.

For nursing care bed applications filed in 2013, applicants were instructed to "assume all current charges, rates, costs and salaries will not be inflated to future operating years." (Emphasis in original). According to the Division of Medical Assistance (DMA), applicants proposing a new nursing facility pursuant to a need determination in the 2013 SMFP should use the following fourth quarter 2012 rates:

<i>Nursing Home Direct Rate (Median*) -</i>	<i>\$106.41 per day</i>
<i>Nursing Home Indirect Rate (Median) -</i>	<i>\$ 31.15 per day</i>
<i>NH Assessment <48,000 annual bed days -</i>	<i>\$ 13.68 per day</i>
<i>Fair Rental Value in Pittsboro (New) -</i>	<i>\$ 14.45 per day</i>
<i>Fair Rental Value in Chatham County (New) -</i>	<i>\$ 15.45 per day</i>
<i>* With weighted average Case Mix Index (CMI)</i>	

The most recent year for which Division of Medical Assistance (DMA) cost report data for nursing facilities is available is FY 2011 for Chatham County and statewide. The table below shows the direct costs less direct ancillary costs, total direct costs, total indirect costs, and total costs per patient day for the existing Chatham County nursing facilities based on FY 2011 DMA cost report data, excluding the nursing facilities operated by continuing care retirement communities (CCRCs).

Chatham County Nursing Facilities*	Direct Costs Less Ancillary	Total Direct Costs/Day	Total Indirect Costs/Day	Total Costs Per Patient Day
Siler City Care & Rehabilitation Center	\$86.05	\$92.70	\$38.50	\$131.20
The Laurels of Chatham	\$98.94	\$100.46	\$59.33	\$159.79
Chatham County Average	\$92.50	\$96.58	\$48.92	\$145.50
North Carolina State Average	\$106.15	\$109.82	\$46.48	\$156.30

* Excludes Carolina Meadows Health Care and The Arbor continuing care retirement communities (CCRCs).

Private pay charges proposed in each application were compared to the 2012 private pay charges for existing nursing facilities in Chatham County. Private pay charges were compared for both private rooms and semi-private rooms, as reported in the *2013 Renewal Application for License to Operate a Nursing Home*. These private pay charges were compared to each applicants' second full federal fiscal year of operation. The following table shows the 2012 private pay charges for nursing services for the existing nursing facilities in Chatham County, listed from the highest to the lowest FY 2012 private pay charge.

Chatham County Nursing Facilities*	Private Room	Semi-Private Room
Siler City Care & Rehabilitation Center	\$231	\$208
The Laurels of Chatham	\$196	\$184

Source: 2013 Renewal Application for License to Operate a Nursing Home.

* Excludes Carolina Meadows Health Care and The Arbor continuing care retirement communities (CCRCs).

Kensington proposes to develop a 90-bed nursing facility in Pittsboro. The applicants, J.E.E., LLC (lessor) and Kensington Rehab and Nursing Center, Inc. (lessee) project the total capital cost will be \$9,278,073. In Section VIII.2, the applicants state the lessor will fund \$9,278,073 of the capital costs with an \$8,000,000 commercial loan from BB&T and \$1,278,073 owners' equity from Robert and Kisa Evans. In Sections IX.1 and IX.2, the applicants project \$136,603 in start-up expenses and \$709,829 in initial operating expenses, for a total working capital of \$846,432, which will be financed with a \$700,000 commercial loan from BB&T and \$146,432 owners' equity from Robert and Kisa Evans. Exhibit 20 contains a letter dated August 12, 2013 from the Senior Vice President of BB&T which states

"...BB&T has had a banking relationship with the Evans Family for over 20 years and we have financed a number of your family's long term care facilities in North Carolina. It is my understanding that you intend to apply for a certificate of need to build a new 90-bed nursing facility in Chatham County. Please accept this letter as an indication of our interest in providing construction and mini-perm first mortgage financing to J.E.E., LLC for this project."

Exhibit 22 contains a letter dated August 12, 2013 from the Senior Vice President of BB&T which states

"Please accept this letter as an indication of our interest in providing working capital financing to Kensington Rehab and Nursing Center, Inc."

Exhibit 21 contains a personal financial statement dated June 25, 2013, documenting the availability of funds for the capital and working capital needs, and a letter dated August 12, 2013 from Robert and Kisa Evans which states

“It is our understanding that the total projected capital cost of the project is \$9,278,073 and that \$8,000,000 will be financed via first mortgage with BB&T. The owners’ equity requirement of \$1,278,073 for the capital cost will be funded from our personal assets. It is our further understanding that projected working capital needed for this project is \$846,432 and that \$700,000 will be funded via a commercial loan with BB&T. The owners’ equity requirement of \$146,432 for the working capital will be funded from our personal assets. “

In summary, the applicants adequately document the availability of funds for the capital and working capital needs of the proposed 90-bed nursing facility.

The following table compares the applicants’ second full federal fiscal year of operation:

- (1) direct (less ancillary) operating cost per patient day with the FY 2011 Chatham County and FY 2011 statewide averages; and
- (2) private pay charges with the highest 2012 Chatham County charges.

Kensington Rehab and Nursing Center, Inc. Second Full Federal Fiscal Year of Operation Fiscal Year 2018 (10/1/2017 – 9/30/2018)	Nursing Services
Direct Costs Less Ancillary Costs	
FY 2011 Chatham County direct (less ancillary) operating cost per patient day ⁽¹⁾	\$92.50
FY 2011 statewide direct (less ancillary) operating cost per patient day ⁽¹⁾	\$106.15
Applicants’ projected direct (less ancillary) operating cost per patient day in 2 nd year of operation ⁽²⁾	\$129.40
Private Pay Charges	
FY 2012 highest private room charge ⁽³⁾	\$231.00
Applicants’ projected private room charge in 2nd year of operation	\$205.00
FY 2012 highest semi-private room charge ⁽³⁾	\$208.00
Applicants’ projected semi-private room charge in 2 nd year of operation	\$195.00

⁽¹⁾ Source: FY 2011 cost reports submitted to the Division of Medical Assistance.

⁽²⁾ Applicants Pro Forma – Form C.

⁽³⁾ Source: 2013 Renewal Application for License to Operate a Nursing Home.

As shown in the above table, the applicants’ projected direct (less ancillary) operating cost per patient day in the second year of operation (FY 2018) is higher than the FY 2011 Chatham County average, and higher than the FY 2011 statewide average. The applicants’ proposed private pay charges in the second year of operation (FY 2018) are lower than the highest private pay charges for existing nursing facilities in Chatham County in FY 2012 for both private and semi-private rooms. The pro forma financial statements (Form B) submitted with the application indicate that the facility will have a net profit of \$218,540 from operations in the second year of operation following completion of the project.

In summary, the applicants adequately demonstrate that the proposed project is financially feasible and is based on reasonable projections of costs and charges for the type of facility proposed. Therefore, the application is conforming to this criterion.

Liberty proposes to develop a 90-bed nursing facility in Pittsboro. The applicants, Liberty Healthcare Properties of Chatham County, LLC and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC project the total capital cost will be \$15,707,139, which includes a private sewage system. In Section VIII.2, the applicants state the owners, Ronald B. McNeill and John A. McNeill, Jr., will fund \$15,707,139 of the capital costs with 100% owners' equity. In Sections IX.1 and IX.2, the applicants project \$228,250 in start-up expenses and \$839,868 in initial operating expenses, for a total working capital of \$1,068,118, which will also be financed with 100% owners' equity from Ronald B. McNeill and John A. McNeill, Jr. Exhibit 29 contains a letter dated August 8, 2013 from John A. McNeill, Jr. and Ronald B. McNeill, which states

“We have both agreed and are both committed to personally funding the Proposed Project, the construction and operation of the proposed skilled nursing facility, including any working capital, start-up and capital expenditures associated with the project. We personally have sufficient funds to provide for the required equity and start up operating capital for the development of the Proposed Project if it is approved.”

Exhibit 29 contains a letter dated August 9, 2013, from the McNeills' CPA, in lieu of submitting financial statements, attesting that John A. McNeill, Jr. and Ronald McNeill *“...each have in excess of \$10,000,000 in cash, stocks, or short term investments in order to fund the construction and operation of the proposed skilled nursing facility, including any working capital, start-up, and capital expenditures... .”*

In summary, the applicants adequately document the availability of funds for the capital and working capital needs of the proposed 90-bed nursing facility.

The following table compares the applicants' second full federal fiscal year of operation:

- (1) direct (less ancillary) operating cost per patient day with the FY 2011 Chatham County and FY 2011 statewide averages; and
- (2) private pay charges with the highest 2012 Chatham County charges.

Liberty Healthcare Chatham County Rehabilitation Center Second Full Federal Fiscal Year of Operation Fiscal Year 2018 (10/1/2017 – 9/30/2018)	Nursing Services
Direct Costs Less Ancillary Costs	
FY 2011 Chatham County direct (less ancillary) operating cost per patient day ⁽¹⁾	\$92.50
FY 2011 statewide direct (less ancillary) operating cost per patient day ⁽¹⁾	\$106.15
Applicants' projected direct (less ancillary) operating cost per patient day in 2 nd year of operation ⁽²⁾	\$127.52
Private Pay Charges	
FY 2012 highest private room charge ⁽³⁾	\$231.00
Applicants' projected private room charge in 2nd year of operation	\$213.50
FY 2012 highest semi-private room charge ⁽³⁾	\$208.00
Applicants' projected semi-private room charge in 2 nd year of operation	\$196.00

⁽¹⁾ Source: FY 2011 cost reports submitted to the Division of Medical Assistance.

⁽²⁾ Applicants Pro Forma – Form C.

⁽³⁾ Source: 2013 Renewal Application for License to Operate a Nursing Home.

As shown in the above table, the applicants' projected direct (less ancillary) operating cost per patient day in the second year of operation (FY 2018) is higher than the FY 2011 Chatham County average, and higher than the FY 2011 statewide average. The applicants' proposed private pay charges in the second year of operation (FY 2018) are lower than the highest private pay charges for existing nursing facilities in Chatham County in FY 2012 for both private and semi-private rooms. The pro forma financial statements (Form B) submitted with the application indicate that the nursing facility, excluding the special care unit, will have a net profit of \$252,280 from operations in the second year of operation following completion of the project. If the applicants are able to operate the Alzheimer special care unit as part of the nursing facility, the pro forma indicates a projected net loss of \$102,102 from operations of the SCU in the second year of operation. The pro forma statement indicates a total net profit of \$150,178 for the nursing facility, including the special care unit, in the second year of operation following completion of the project.

In summary, the applicants adequately demonstrate that the proposed project is financially feasible and is based on reasonable projections of costs and charges for the type of facility proposed. Therefore, the application is conforming to this criterion.

Chatham Health proposes to develop a 90-bed nursing facility in Chapel Hill. The applicants, Chatham Health Investors, LLC and Chatham Healthcare Group, LLC project the total capital cost will be \$9,608,974, which includes a private sewage system. In Section VIII.2, the applicants state Chatham Health Investors, LLC will fund \$9,608,974 of the capital costs with a \$7,687,179 commercial loan from Synovus Bank and \$1,921,795 in owners' equity from Smith/Packett Med-Com, LLC, a related party to Chatham Health Investors, LLC, which is owned by James R. Smith and Hunter D. Smith. In Sections IX.1 and IX.2, the applicants project \$240,000 in start-up expenses and \$597,600 in initial operating expenses, for a total working capital of \$837,600, which will be financed with up to a \$900,000 commercial loan from FirstMerit Bank.

Exhibit 15 contains a letter dated August 9, 2013 from Synovus Bank which states “*Synovus Bank hereby expresses its interest in providing construction and permanent financing for your proposed facility in Chatham County, North Carolina.*” Synovus Bank indicated it would finance \$7,687,179 or 80% of the appraised value, whichever is less. Exhibit 15 also contains a letter from Hunter D. Smith, President of Smith/Packett Med-Com, LLC attesting to the availability of more than sufficient cash and liquid assets on Smith/Packett’s balance sheet to fund the project. Hunter Smith is also the Vice Chairman Manager of Chatham Health Investors, LLC and verified that the project’s equity needs are in the amount of \$1,921,795 and will be funded from Smith/Packett’s cash account. Exhibit 15 contains a letter from the CPA for Smith/Packett Med-Com, LLC verifying that Smith/Packett Med-Com, LLC has sufficient liquid assets to fund the equity requirements of the project.

Exhibit 15 also contains a letter dated August 9, 2013 from the Senior Vice President of FirstMerit Bank which states

“FirstMerit Bank is pleased to assist you with funding the working capital needs of your proposed new 90-bed nursing home, which will be operated by Chatham Healthcare Group, LLC. I understand the new 90-bed facility will need approximately \$900,000 for working capital needs.”

In summary, the applicants adequately document the availability of funds for the capital and working capital needs of the proposed 90-bed nursing facility.

The following table compares the applicants’ second full federal fiscal year of operation:

- (1) direct (less ancillary) operating cost per patient day with the FY 2011 Chatham County and FY 2011 statewide averages; and
- (2) private pay charges with the highest 2012 Chatham County charges.

Chatham Health and Rehabilitation Center Second Full Federal Fiscal Year of Operation Fiscal Year 2018 (10/1/2017 – 9/30/2018)	Nursing Services
Direct Costs Less Ancillary Costs	
FY 2011 Chatham County direct (less ancillary) operating cost per patient day ⁽¹⁾	\$92.50
FY 2011 statewide direct (less ancillary) operating cost per patient day ⁽¹⁾	\$106.15
Applicants’ projected direct (less ancillary) operating cost per patient day in 2 nd year of operation ⁽²⁾	\$99.57
Private Pay Charges	
FY 2012 highest private room charge ⁽³⁾	\$231.00
Applicants’ projected private room charge in 2nd year of operation	\$220.00
FY 2012 highest semi-private room charge ⁽³⁾	\$208.00
Applicants’ projected semi-private room charge in 2 nd year of operation	\$195.00

⁽¹⁾ Source: FY 2011 cost reports submitted to the Division of Medical Assistance.

⁽²⁾ Applicants Pro Forma – Form C.

⁽³⁾ Source: 2013 Renewal Application for License to Operate a Nursing Home.

As shown in the above table, the applicants' projected direct (less ancillary) operating cost per patient day in the second year of operation (FY 2018) is higher than the FY 2011 Chatham County average, and lower than the FY 2011 statewide average. The applicants' proposed private pay charges in the second year of operation (FY 2018) are lower than the highest private pay charges for existing nursing facilities in Chatham County in FY 2012 for both private and semi-private rooms. The pro forma financial statements (Form B) submitted with the application indicate that the facility will have a net profit of \$162,226 from operations in the second year of operation following completion of the project.

In summary, the applicants adequately demonstrate that the proposed project is financially feasible and is based on reasonable projections of costs and charges for the type of facility proposed. Therefore, the application is conforming to this criterion.

UNC proposes to develop a 90-bed nursing facility in Pittsboro. The applicants, Chatham Park Investors, LLC (lessor) and University of North Carolina Hospitals at Chapel Hill (lessee) project the total capital cost will be \$10,913,830. In Section VIII.2, the applicants state the \$10,913,830 capital costs will be funded with \$2,054,150 in accumulated reserves from UNC Hospitals and \$8,859,680 in accumulated reserves from Chatham Park Investors, LLC (CPI). In Sections IX.1 and IX.2, the applicants project \$331,173 in start-up expenses and \$1,920,287 in initial operating expenses, for a total working capital of \$2,251,460, which will be financed with accumulated reserves from UNC Hospitals. Exhibit 22 contains a letter dated August 14, 2013 from the Executive Vice President and Chief Financial Officer of UNC Hospitals which states

"This letter is to confirm the availability of funding in excess of \$4,305,610 specifically for use for the \$2,054,150 in capital costs and \$2,251,460 in other start-up and initial operating expenses associated with the proposed development of UNC Hospitals Nursing Care and Rehabilitation Center."

Exhibit 23 contains a letter dated August 8, 2013 from the Senior Vice President of BB&T which states

"Please allow this letter to serve as confirmation and assurance that, as of this date, Chatham Park Investors, LLC has the financial strength, liquidity, and capacity to fund and complete a \$11.5MM real estate project. In addition, as of this date, Chatham Park Investors has assets in amounts exceeding \$11.5MM and has unrestricted liquid funds on deposit with BB&T in excess of \$11.5MM which may serve as an available source of funding for the capital costs for the proposed nursing home in Chatham County. "

Exhibit 23 also contains a letter from Chatham Park Investors, LLC which states "...Chatham Park Investors, LLC maintains sufficient accumulated reserves to fund its portion of the proposed project, which as noted in the Certificate of Need application is \$8,859,680. "

In summary, the applicants adequately document the availability of funds for the capital and working capital needs of the proposed 90-bed nursing facility.

The following table compares the applicants' second full federal fiscal year of operation:

- (1) direct (less ancillary) operating cost per patient day with the FY 2011 Chatham County and FY 2011 statewide averages; and
- (2) private pay charges with the highest 2012 Chatham County charges.

UNC Hospitals Nursing Care and Rehabilitation Center Second Full Federal Fiscal Year of Operation Fiscal Year 2017 (10/1/2016 – 9/30/2017)	Nursing Services
Direct Costs Less Ancillary Costs	
FY 2011 Chatham County direct (less ancillary) operating cost per patient day ⁽¹⁾	\$92.50
FY 2011 statewide direct (less ancillary) operating cost per patient day ⁽¹⁾	\$106.15
Applicants' projected direct (less ancillary) operating cost per patient day in 2 nd year of operation ⁽²⁾	\$131.32
Private Pay Charges	
FY 2012 highest private room charge ⁽³⁾	\$231.00
Applicants' projected private room charge in 2nd year of operation	\$219.91
FY 2012 highest semi-private room charge ⁽³⁾	\$208.00
Applicants' projected semi-private room charge in 2 nd year of operation	\$201.88

⁽¹⁾ Source: FY 2011 cost reports submitted to the Division of Medical Assistance.

⁽²⁾ Applicants Pro Forma – Form C.

⁽³⁾ Source: 2013 Renewal Application for License to Operate a Nursing Home.

As shown in the above table, the applicants' projected direct (less ancillary) operating cost per patient day in the second year of operation (FY 2017) is higher than the FY 2011 Chatham County average, and higher than the FY 2011 statewide average. The applicants' proposed private pay charges in the second year of operation (FY 2017) are lower than the highest private pay charges for existing nursing facilities in Chatham County in FY 2012 for both private and semi-private rooms. The pro forma financial statements (Form B) submitted with the application indicate that the nursing facility, excluding the ventilation unit, will have a net loss of \$124,697 from operations in the second year of operation following completion of the project. However, the applicants will operate the ventilation unit as part of the nursing facility and the pro forma indicates a projected net profit of \$238,549 from operations of the vent unit in the second year of operation. The pro forma statement indicates a total net profit of \$113,852 for the nursing facility, including the ventilation unit, in the second year of operation following completion of the project.

In summary, the applicants adequately demonstrate that the proposed project is financially feasible and is based on reasonable projections of costs and charges for the type of facility proposed. Therefore, the application is conforming to this criterion.

PruittHealth proposes to develop a 90-bed nursing facility in Pittsboro. The applicants, Chatham Healthcare Properties, Inc. (lessor) and PruittHealth – Chatham, LLC (lessee), both majority owned subsidiaries of United Health Services, Inc. (UHS), project the total capital cost will be \$11,822,863. In Section VIII.2, the applicants state UHS-Pruitt Corporation will fund \$11,822,863 of the capital costs with an \$8,867,147 commercial loan from GE Capital and \$2,955,716 in accumulated reserves from UHS, Inc. In Sections IX.1 and IX.2, the

applicants project \$301,760 in start-up expenses and \$1,168,457 in initial operating expenses, for a total working capital of \$1,470,217, which will be financed with a commercial loan from GE Capital. Exhibit 8 contains a letter dated August 9, 2013 from GE Capital which states

“Please be advised that General Electric Capital Corporation has had an ABL financing relationship with UHS Pruitt Corporation since 1998. The accounts are currently in covenant compliance. They currently have an existing relationship of up to \$60,000,000 with \$27,292,183 in availability.”

Exhibit 8 also contains a letter dated August 11, 2013 from the Senior Vice President of Treasury Management & Treasurer of UHS-Pruitt Corporation which states

“UHS-Pruitt Corporation hereby commits to provide all funds necessary to successfully develop the proposed project. The project has a proposed capital cost of \$11,822,863. UHS-Pruitt Corporation will finance the capital cost with a loan from General Electric Capital Corporation (“Lender”) and UHS cash reserves.

Additionally, the working capital and start-up cost requirements estimated at \$1,470,194 will be financed with a loan from General Electric Capital Corporation.”

In summary, the applicants adequately document the availability of funds for the capital and working capital needs of the proposed 90-bed nursing facility.

The following table compares the applicants’ second full federal fiscal year of operation:

- (1) direct (less ancillary) operating cost per patient day with the FY 2011 Chatham County and FY 2011 statewide averages; and
- (2) private pay charges with the highest 2012 Chatham County charges.

PruittHealth – Chatham Second Full Federal Fiscal Year of Operation Fiscal Year 2017 (10/1/2016 – 9/30/2017)	Nursing Services
Direct Costs Less Ancillary Costs	
FY 2011 Chatham County direct (less ancillary) operating cost per patient day ⁽¹⁾	\$92.50
FY 2011 statewide direct (less ancillary) operating cost per patient day ⁽¹⁾	\$106.15
Applicants’ projected direct (less ancillary) operating cost per patient day in 2 nd year of operation ⁽²⁾	\$133.01
Private Pay Charges	
FY 2012 highest private room charge ⁽³⁾	\$231.00
Applicants’ projected private room charge in 2nd year of operation	\$173.69
FY 2012 highest semi-private room charge ⁽³⁾	\$208.00
Applicants’ projected semi-private room charge in 2 nd year of operation	\$168.69

⁽¹⁾ Source: FY 2011 cost reports submitted to the Division of Medical Assistance.

⁽²⁾ Applicants Pro Forma – Form C.

⁽³⁾ Source: 2013 Renewal Application for License to Operate a Nursing Home.

As shown in the above table, the applicants' projected direct (less ancillary) operating cost per patient day in the second year of operation (FY 2017) is higher than the FY 2011 Chatham County average, and higher than the FY 2011 statewide average. The applicants' proposed private pay charges in the second year of operation (FY 2017) are lower than the highest private pay charges for existing nursing facilities in Chatham County in FY 2012 for both private and semi-private rooms.

The pro forma financial statement (Form B) submitted with the application indicate that the facility will have a net profit from operations of \$108,625 in the second year of operation following completion of the project. However, the applicants provide conflicting data regarding contractual adjustments in Form B and the assumptions listed on page 273 of the application, which directly impacts net profit, making the net profit projection unreliable. The following table summarizes PruittHealth's projected revenues, operating costs, and contractual adjustments during the second operating year, as provided in Form B and the assumptions on page 273.

	Form B	Applicants' Assumptions
A. Total Routine Service Revenue	\$7,491,145	\$7,491,145
B. Ancillary Revenue	\$1,599,869	\$1,599,869
C. Miscellaneous Revenue	\$8,364	\$8,364
D. Total Gross Revenue (A+B+C)	\$9,099,378	\$9,099,378
E. Total Operating Expenses	\$7,690,365	\$7,690,365
F. Contractual Adjustment	\$1,300,389	\$1,491,842
G. Net Profit (D-E-F)	\$108,624	\$(82,829)

As shown above, using the applicants' contractual adjustment of \$1,491,842 indicated in the assumptions on page 273, there is a projected loss of \$82,829 in the second year of operation following completion of the project.

Additionally, on page 272, the applicants state that in the second year of operation following completion of the project, charity care is projected to be \$74,911 and bad debt is projected to be \$51,863. However, there are no line items in Form B for either charity care or bad debt. In response to comments, Pruitt Health states \$126,775 (\$74,911 + \$51,863 = \$126,774) is included in the contractual adjustment. However, as noted above, the application already contains conflicting information regarding the contractual adjustment. The difference between \$1,491,842 and \$1,300,389 is not \$126,774 but \$191,453. If the \$126,774 is in addition to the \$1,491,842 which Pruitt Health states is the contractual adjustment associated with revenues from ancillary services on page 273, then the loss in the second year would be \$209,603, not \$82,829.

Furthermore, PruittHealth is proposing to fund working capital of \$1,470,217 with a commercial loan from GE Capital. However, there is no line item on Form C for any operating interest expense. In response to comments, Pruitt Health states "*Although interest for the working capital loan of \$1,470,217 was not listed as a separate line item in the*

proforma for the operating company, UHS has sufficient resources to cover these costs.” They also state *“The working capital interest expense for Year 1 is \$43,620 and for Year 2 is \$70,912.”* Furthermore, they state *“...the Year 02 working capital interest cost is less than the net income after expense in Year 02 (\$70,912 compared to \$108,625.)”* However, as noted above, the application already contains conflicting information regarding contractual adjustments. If the \$70,912 working capital interest expense is in addition to the \$1,491,842 which Pruitt Health states is the contractual adjustment associated with revenues from ancillary services on page 273, along with the \$126,774 from bad debt and charity care, the loss in the second year would be \$280,515, not \$209,603. These inconsistencies render the net profit projection unreliable.

In summary, the applicants did not adequately demonstrate that the proposed project is financially feasible and is based on reasonable projections and supported assumptions of costs and charges for the type of facility proposed. Therefore, the application is not conforming to this criterion.

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

C
All Applications

Five applicants submitted proposals to the Certificate of Need Section to develop a nursing facility in Chatham County, based on a need determination for 90 additional nursing care beds in Chatham County in the 2013 State Medical Facilities Plan (2013 SMFP). The following table identifies the existing facilities with nursing care beds in Chatham County and their occupancy rates.

Facility	Township	2013 SMFP Inventory*	Occupancy Rate**
The Laurels of Chatham	Center	140	93.5%
Siler City Care & Rehabilitation	Matthews	150	97.0%
Carolina Meadows Health Center (CCRC)^	Williams	90	82.2%
The Arbor (CCRC)^	Williams	40	75.0%
Total		420	

* Source: Table 10A, 2013 State Medical Facilities Plan.

^ 2013 SMFP Planning Inventory totals exclude 50% of the nursing care beds from continuing care retirement communities (CCRCs) for a 2013 SMFP Planning Inventory total of 356 beds in Chatham County.

** Source: 2013 Nursing Home License Renewal Applications as of September 12, 2012.

The 2013 SMFP projected a deficit of 94 nursing care beds in Chatham County for FY 2016, and as shown on the table above, the occupancy rates for the two existing nursing homes, excluding the CCRCs, is greater than 90%, generating the need for 90 additional beds in Chatham County.

The following five applicants submitted proposals to the Certificate of Need Section to develop a 90-bed nursing facility in Chatham County.

Kensington. The 2013 SMFP identifies a need for 90 additional nursing care beds in Chatham County. The applicants propose to develop 90 nursing care beds in Chatham County. The applicants do not propose to develop more nursing care beds than are determined to be needed in Chatham County. Kensington adequately demonstrates the need for additional beds based on reasonable projected utilization and that the development of the 90 nursing care beds will not result in unnecessary duplication of existing or approved health service capabilities or facilities. See Criteria (1) and (3) for additional discussion relating to the need determination and to demonstration of need for the development of 90 additional nursing care beds in Chatham County which is incorporated hereby as if fully set forth herein. Thus, the application is conforming to this criterion.

Liberty. The 2013 SMFP identifies a need for 90 additional nursing care beds in Chatham County. The applicants propose to develop 90 nursing care beds in Chatham County. The applicants do not propose to develop more nursing care beds than are determined to be needed in Chatham County. Liberty adequately demonstrates the need for additional beds based on reasonable projected utilization and that the development of the 90 nursing care beds will not result in unnecessary duplication of existing or approved health service capabilities or facilities. See Criteria (1) and (3) for additional discussion relating to the need determination and to demonstration of need for the development of 90 additional nursing care beds in Chatham County which is incorporated hereby as if fully set forth herein. Thus, the application is conforming to this criterion.

Chatham Health. The 2013 SMFP identifies a need for 90 additional nursing care beds in Chatham County. The applicants propose to develop 90 nursing care beds in Chatham County. The applicants do not propose to develop more nursing care beds than are determined to be needed in Chatham County. Chatham Health adequately demonstrates the need for additional beds based on reasonable projected utilization and that the development of the 90 nursing care beds will not result in unnecessary duplication of existing or approved health service capabilities or facilities. See Criteria (1) and (3) for additional discussion relating to the need determination and to demonstration of need for the development of 90 additional nursing care beds in Chatham County which is incorporated hereby as if fully set forth herein. Thus, the application is conforming to this criterion.

UNC. The 2013 SMFP identifies a need for 90 additional nursing care beds in Chatham County. The applicants propose to develop 90 nursing care beds in Chatham County. The applicants do not propose to develop more nursing care beds than are determined to be needed in Chatham County. UNC adequately demonstrates the need for additional beds based on reasonable projected utilization and that the development of the 90 nursing care beds will not result in unnecessary duplication of existing or approved health service capabilities or facilities. See Criteria (1) and (3) for additional discussion relating to the need determination and to demonstration of need for the development of 90 additional nursing care beds in Chatham County which is incorporated hereby as if fully set forth herein. Thus, the application is conforming to this criterion.

PruittHealth. The 2013 SMFP identifies a need for 90 additional nursing care beds in Chatham County. The applicants propose to develop 90 nursing care beds in Chatham County. The applicants do not propose to develop more nursing care beds than are determined to be needed in Chatham County. PruittHealth adequately demonstrates the need for additional beds based on reasonable projected utilization and that the development of the 90 nursing care beds will not result in unnecessary duplication of existing or approved health service capabilities or facilities. See Criteria (1) and (3) for additional discussion relating to the need determination and to demonstration of need for the development of 90 additional nursing care beds in Chatham County which is incorporated hereby as if fully set forth herein. Thus, 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
All Applications

Kensington. In Section VII.2, page 75, the applicants propose to provide registered nurse (RN) and licensed practical nurse (LPN) coverage 24 hours per day, 7 days per week. Adequate costs for the direct care nursing positions proposed by the applicants in Sections II.2, II.4 and VII.3 are budgeted in the pro forma financial statements. The table below shows the applicants' proposed direct care nursing staff and total direct care nursing hours per patient day.

Kensington Second Full Federal Fiscal Year of Operation Fiscal Year 2018 (10/1/2017 – 9/30/2018)	FTE Positions
Direct Care Nursing Staff	
RN	7.7
LPN	14.0
Aides	42.0
Total	63.7
Total Direct Care NHPPD	
Nursing	4.25

Source: Section VII.4, page 78 of the application.

In Section II.4, page 29, the applicants state Exhibit 5 contains a letter from Dr. Robert Starkenburg, expressing a willingness to serve as medical director for the proposed facility. See Exhibit 5. In addition, Exhibit 11 contains physician survey forms from Dr. Margaret Brewer and Dr. Byron Hoffman both expressing a willingness to serve as medical director for the proposed facility. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. Therefore, the application is conforming to this criterion.

Liberty. In Section VII.2, pages 86-87, the applicants propose to provide registered nurse (RN) and licensed practical nurse (LPN) coverage 24 hours per day, 7 days per week. Adequate costs for the direct care nursing positions proposed by the applicants in Sections II.2, II.4 and VII.3 are budgeted in the pro forma financial statements. The table below shows the applicants' proposed direct care nursing staff and total direct care nursing hours per patient day.

Liberty Second Full Federal Fiscal Year of Operation Fiscal Year 2018(10/1/2017 – 9/30/2018)	FTE Positions
Direct Care Nursing Staff (excluding SCUs)	
RN	5.45
LPN	10.90
Aides	32.70
Total	49.05
Direct Care Nursing Special Care Unit Staff	
RN	1.57
LPN	3.14
Aides	9.41
Total	14.12
Total Direct Care Nursing Staff (including SCUs)	
RN	7.02
LPN	14.04
Aides	42.12
Total	63.18
Total Direct Care NHPPD	
Nursing and SCUs	4.06

Source: Section VII.4 , page 93 of the application.

Exhibit 27 contains a letter from Physicians Eldercare expressing a willingness to provide a medical director for the proposed facility. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. Therefore, the application is conforming to this criterion.

Chatham Health. In Section VII.2, page 56, the applicants propose to provide registered nurse (RN) and licensed practical nurse (LPN) coverage 24 hours per day, 7 days per week. Adequate costs for the direct care nursing positions proposed by the applicants in Sections II.2, II.4 and VII.3 are budgeted in the pro forma financial statements. The table below shows the applicants' proposed direct care nursing staff and total direct care nursing hours per patient day.

Chatham Health Second Full Federal Fiscal Year of Operation Fiscal Year 2018 (10/1/2017 – 9/30/2018)	FTE Positions
Direct Care Nursing Staff	
RN	4.2
LPN	11.2
Aides	36.4
Total	51.8
Total Direct Care NHPPD	
Nursing	3.40

Source: Section VII.4, page 61 of the application.

Exhibit 12 contains letters from Extended Care Physicians, PA and ACT Medical Group, PA expressing a willingness to provide a medical director for the proposed facility. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. Therefore, the application is conforming to this criterion.

UNC. In Section VII.2, page 119, the applicants propose to provide registered nurse (RN) or licensed practical nurse (LPN) coverage 24 hours per day, 7 days per week. Adequate costs for the direct care nursing positions proposed by the applicants in Sections II.2, II.4 and VII.3 are budgeted in the pro forma financial statements. The tables below show the applicants' proposed direct care nursing staff and total direct care nursing hours per patient day.

UNC Second Full Federal Fiscal Year of Operation Fiscal Year 2017 (10/1/2016 – 9/30/2017)	FTE Positions
Direct Care Nursing Staff (excluding SCUs)	
RN	4.2
LPN	15.4
Aides	23.8
Total	43.4
Total Direct Care NHPPD	
Nursing	3.24

Source: Section VII.4, page 126 of the application.

UNC Second Full Federal Fiscal Year of Operation Fiscal Year 2017 (10/1/2016 – 9/30/2017)	FTE Positions
Direct Care Nursing (Ventilation Unit)	
RN	1.4
LPN	4.2
Aides	7.0
Total	12.6
Total Direct Care NHPPD (Ventilation Unit)	
Nursing	7.51

Source: Section VII.4, page 126 of the application.

UNC Second Full Federal Fiscal Year of Operation Fiscal Year 2017 (10/1/2016 – 9/30/2017)	FTE Positions
Direct Care Nursing (including Ventilation Unit)	
RN	5.6
LPN	19.6
Aides	30.8
Total	56.0
Total Direct Care NHPPD (including Ventilation Unit)	
Nursing	3.71

Source: Section VII.4, page 126 of the application.

In Section II.4, page 47, the applicants state Exhibit 2 contains letters from consultants and contract providers, including a letter from Dr. Jan Busby-Whitehead, expressing a willingness to serve as medical director for the proposed facility. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. Therefore, the application is conforming to this criterion.

PruittHealth. In Section VII.2, pages 187-188, the applicants propose to provide registered nurse (RN) and licensed practical nurse (LPN) coverage 24 hours per day, 7 days per week. Adequate costs for the direct care nursing positions proposed by the applicants in Sections II.2, II.4 and VII.3 are budgeted in the pro forma financial statements. The table below shows the applicants' proposed direct care nursing staff and total direct care nursing hours per patient day.

PruittHealth Second Full Federal Fiscal Year of Operation Fiscal Year 2017 (10/1/2016 – 9/30/2017)	FTE Positions Calculated by Applicants	FTE Positions Calculated by Analyst
Direct Care Nursing Staff		
RN	6.2	4.2*
LPN	19.6	19.6
Aides	36.4	36.4
Total	62.2	60.2
Total Direct Care NHPPD		
Nursing	4.12	3.99

Source: Section VII.4, page 194 of the application.

* Note: The applicants reflect 4.2 RN's in Table VII.3, page 191 and 6.2 RN's in Table VII.4, page 194, but do not include an explanation regarding which two additional RN positions will provide direct care. On page 191, the applicants show a designation of MDS Nurse (RN), however the assumptions on page 273 indicate the MDS Nurse is an LPN.

In Section II.4, page 82, the applicants state Exhibit 65 contains a letter from Dr. Patrick J. O'Brien, expressing a willingness to serve as medical director for the proposed facility.

Note: There are discrepancies between the information presented in the assumptions on page 273 and the information presented in Section VII.3, page 193 and the pro formas (Form C), in the second year of operation following completion of the project. In the wage rate assumptions on page 273, the applicants provide no explanation for indicating a decrease in salaries, from year one to year two, for the MDS-LPN and for the RNs. However, there is no salary reduction reflected on Form C for the MDS Nurse or the RNs in the second year of operation following completion of the project. Additionally, there was also no explanation provided for not including a wage rate in the assumptions in the second year for the Administrator, Receptionist, and Financial Coordinator. However, the applicants included the Administrator, the Receptionist and Financial Coordinator in Section VII.3, page 193 and adequately budgeted for these positions in Form C.

Consequently, the applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. Therefore, the application is 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.

C
All Applications

Kensington. In Section II.4, pages 28-29, the applicants list the ancillary and support services and the proposed providers of each service. Exhibits 5 and 11 contain letters and surveys from ancillary service providers expressing an interest in providing the facility's residents with

services. Note: Kensington proposes to employ its own physical, speech, and occupational therapists. In Section V.2, pages 61-62, the applicants state they anticipate arranging transfer agreements with the following hospitals located in Chatham County and contiguous counties: Chatham Hospital; University of North Carolina Hospitals, WakeMed, WakeMed Cary Hospital; Rex Healthcare; Duke Raleigh Hospital; Duke University Hospital; Duke Regional Hospital; Central Carolina Hospital; FirstHealth Moore Regional Hospital; Randolph Hospital; and Alamance Regional Medical Center. Exhibit 18 includes copies of letters from Chatham Hospital and Alamance Regional Medical Center expressing an interest in executing a transfer agreement between the hospital and the proposed nursing facility if approved for development. Exhibits 5 and 11 contain copies of letters and surveys from physicians expressing support for the proposed facility, and their intention to refer patients. Exhibits 10 and 11 identify several physicians whom they have contacted regarding the proposed project. The applicants adequately demonstrate they will provide or make arrangements for the necessary ancillary and support services, and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

Liberty. In Section II.4, pages 42-43, the applicants list the ancillary and support services and the proposed providers of each service. Exhibits 2 and 8 contain correspondence from ancillary service providers expressing an interest in providing the facility's residents with services. Note: Liberty proposes to employ its own physical, speech, and occupational therapists. In Section V.2, page 76, the applicants state they will arrange transfer agreements with Rex Hospital, Duke Raleigh Hospital, Duke University Hospital, UNC Hospitals and Chatham Hospital if the project is approved. Exhibit 26 includes documentation from physicians whom they have contacted regarding the proposed project. The applicants adequately demonstrate they will provide or make arrangements for the necessary ancillary and support services, and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

Chatham Health. In Section II.4, page 22, the applicants list the ancillary and support services and the proposed providers of each service. Exhibit 13 contains letters from ancillary service providers expressing an interest in providing the facility's residents with services. Note: Chatham Health proposes to employ its own physical, speech, and occupational therapists. In Section V.2, page 45, the applicants state they will arrange transfer agreements with UNC Hospitals, Duke University Hospital, Chatham Hospital, and WakeMed Cary Hospital if the project is approved. Exhibit 12 contains a list of several physician groups the applicants have contacted regarding the proposed project. The applicants adequately demonstrate they will provide or make arrangements for the necessary ancillary and support services, and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

UNC. In Section II.4, page 46, the applicants list the ancillary and support services and the proposed providers of each service. Exhibit 2 contains letters from ancillary service providers expressing an interest in providing the facility's residents with services including a letter from UNC Hospitals indicating they will supply physical, speech, and occupational therapy services. In Section V.2, page 107, the applicants state written transfer agreements are not required because of EMTALA requirements, any patient appropriately transferred for medical

care must be accepted by the receiving hospital. The applicants state that residents of the nursing facility requiring acute care services will be transferred to Chatham Hospital, UNC Hospitals, or the facility of their choice. Exhibit 31 contains copies of letters from physicians expressing support for the proposed facility, and their intention to refer patients. The applicants adequately demonstrate they will provide or make arrangements for the necessary ancillary and support services, and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

PruittHealth. In Section II.4, pages 80-83, the applicants list the ancillary and support services and the proposed providers of each service. Exhibit 44 contains letters from ancillary service providers expressing an interest in providing the facility's residents with services. In Section II.4, page 82, the applicants state United Rehab, Inc., an affiliated company, will provide physical, speech, and occupational therapy services. In Section V.2, pages 170-171, the applicants state they have sent letters to the following providers expressing an interest in developing transfer agreements: Central Carolina Hospital; Chatham Hospital; Duke Regional Hospital; Duke University Hospital; Durham VA Medical Center; First Health Moore Regional; Moses Cone Hospital; Rex Healthcare; and WakeMed Health and Hospital. Exhibit 48 includes a copy of a letter from Duke University Hospital expressing an interest in executing a transfer agreement between the hospital and the proposed nursing facility if approved for development. Exhibits 46 and 73 contain documentation from physicians expressing support for the proposed facility. The applicants adequately demonstrate they will provide or make arrangements for the necessary ancillary and support services, and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA
All Applications

- (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
All Applications

- (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
All Applications

Kensington. In Section XI, pages 110-112, the applicants propose to construct a 56,295 square foot 90-bed facility with 46 private nursing care beds and 44 semi-private nursing care beds. Exhibit 29 contains a letter from architect, David R. Polston, AIA, which documents projected site preparation costs and construction costs consistent with the capital cost projections in Section VIII.1 of the application. The letter from the architect documents the “*cost of construction contract*” of \$6,192,450 which is less than the cost of construction contract of \$6,502,073 projected by the applicants in the capital cost projections in Section VIII.1 of the application. In Section XI.13, pages 113-114, the applicants describe the cost, design, and construction factors that were considered in development of the construction estimate. In Section XI.14, page 114, the applicants state that applicable energy savings features will be incorporated into the design of the facility. The applicants adequately demonstrate that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing nursing care services. See Criterion (5) for discussion of costs and charges which is incorporated hereby as if fully set forth herein. Therefore, the application is conforming to this criterion.

Liberty. In Section XI, pages 124-126, the applicants propose to construct a 56,747 square foot 90-bed facility with 46 private nursing care beds and 44 semi-private nursing care beds. Exhibit 38 contains a letter from architect, Tim Kurmaskie, AIA, which documents projected site preparation costs and construction costs for the entire building footprint of 66,295 square

foot gross, including porches and gardens, consistent with the capital cost projections in Section VIII.1 of the application. In Section XI.13, pages 127-128, the applicants describe the cost, design, and construction factors that were considered in development of the construction estimate. In Section XI.14, pages 128-129, the applicants state that applicable energy savings features will be incorporated into the design of the facility. The applicants adequately demonstrate that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing nursing care services. See Criterion (5) for discussion of costs and charges which is incorporated hereby as if fully set forth herein. Therefore, the application is conforming to this criterion.

Chatham Health. In Section XI, pages 88-89, the applicants propose to construct a 53,607 square foot 90-bed facility with 34 private nursing care beds and 56 semi-private nursing care beds. Exhibit 8 contains a letter from architect, Richard L. Jones, Jr., AIA, and a letter from the CEO of Integrated Construction, LLC which document projected construction costs consistent with the capital cost projections in Section VIII.1 of the application. The letter from Integrated Construction, LLC documents “... a construction cost of \$5,682,342 +/- for the building only. Site work and preparation are not included in this price.” In Section XI.13, pages 90-91, the applicants describe the cost, design, and construction factors that were considered in development of the construction estimate. In Section XI.14, page 91, the applicants state that applicable energy savings features will be incorporated into the design of the facility. The applicants adequately demonstrate that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing nursing care services. See Criterion (5) for discussion of costs and charges which is incorporated hereby as if fully set forth herein. Therefore, the application is conforming to this criterion.

UNC. In Section XI, pages 161-163, the applicants propose to construct a 66,088 square foot 90-bed facility with 46 private nursing care beds and 44 semi-private nursing care beds. Exhibit 29 contains a letter from architect, David R. Polston, AIA, which documents projected site preparation costs and construction costs consistent with the capital cost projections in Section VIII.1 of the application. The letter from the architect documents “site development costs” of \$920,000 which is less than the site preparation costs of \$1,270,000 projected by the applicants in the capital cost projections in Section VIII.1 of the application. In Section XI.13, the applicants describe the cost, design, and construction factors that were considered in development of the construction estimate. In Section XI.14, pages 165-166, the applicants state that applicable energy savings features will be incorporated into the design of the facility. The applicants adequately demonstrate that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing nursing care services. See Criterion (5) for discussion of costs and charges which is incorporated hereby as if fully set forth herein. Therefore, the application is conforming to this criterion.

PruittHealth. In Section XI, pages 238-240, the applicants propose to construct a 62,022 square foot 90-bed facility with 58 private nursing care beds and 32 semi-private nursing care beds. Exhibit 50 contains a letter from architect, David R. Polston, AIA, which documents projected site preparation costs and construction costs consistent with the capital cost

projections in Section VIII.1 of the application. The letter and attachments from the architect document the “*cost of construction contract*” of \$6,822,420 which is less than the cost of construction contract of \$7,504,662 projected by the applicants in the capital cost projections in Section VIII.1 of the application. In Section XI.13, pages 242-243, the applicants describe the cost, design, and construction factors that were considered in development of the construction estimate. In Section XI.14, pages 243-244, the applicants state that applicable energy savings features will be incorporated into the design of the facility. The applicants adequately demonstrate that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing nursing care services. See Criterion (5) for discussion of costs and charges which is incorporated hereby as if fully set forth herein. 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;

NA
All Applications

- (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;

NA
All Applications

- (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
All Applications

There are four nursing facilities with licensed nursing facility (NF) beds in Chatham County. Two of the facilities are CCRCs and are not participants in the Medicaid program. The following table illustrates the payor mix for the two facilities participating

in the Medicaid program and the Chatham County and statewide averages for FY 2011, as reported to the Division of Medical Assistance (DMA).

Facility	Medicaid NF Days as a % of Total NF Days	Medicare NF Days as a % of Total NF Days
The Laurels of Chatham	71.1%	20.1%
Siler City Care & Rehabilitation Center	81.9%	7.8%
Chatham County Average*	76.6%	13.8%
Statewide Average	66.9%	17.8%

* The Chatham County Average excludes Carolina Meadows Health Care and The Arbor continuing care retirement communities (CCRCs).

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 Chatham County and statewide.

	June 2010 Total # of Medicaid Eligibles as % of Total Population	June 2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population	CY 2009 % Uninsured (Estimate by Cecil G. Sheps Center)*
Chatham County	11.6%	4.1%	19.3%
Statewide	16.5%	6.7%	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 does not utilize the same health services at the same rate as older segments of the population, particularly the nursing facility services proposed by the applicants. Nonetheless, the Medicaid percentage in nursing facilities typically exceeds the percentage of eligibles.

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 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.

Kensington. In Section VI.3, page 68, the applicants project the following payor mix for the nursing care beds during the second full federal fiscal year of operation (FFY 2018) following completion of the project.

Payor Source	Projected Patient Days as % of Total Patient Days
Private Pay	7%
Medicare	18%
Medicaid	74%
Other – Hospice	1%
Total	100%

As shown in the table above, the applicants projected nursing patient days of care for Medicaid recipients (74%) is 2.6 percentage points (76.6% - 74.0% = 2.6%) and 3.4% (2.6% / 76.6% = 3.4%) below the county average (76.6%) and 7.1 percentage points (74.0% - 66.9% = 7.1%) and 10.6% (7.1% / 66.9% = 10.6%) above the statewide average (66.9%). Therefore, the applicants demonstrate that medically underserved groups will have adequate access to the proposed services and the application is conforming to this criterion.

Liberty. In Section VI.3, page 80, the applicants project the following payor mix for the nursing care beds during the second full federal fiscal year of operation (FFY 2018) following completion of the project.

Payor Source	Projected Patient Days as % of Total Patient Days	Projected Patient Days as % of Total Patient Days for Special Care Unit
Private Pay	7.05%	15.79%
Medicare	16.76%	0.00%
Medicaid	76.19%	84.21%
Total	100.00%	100.00%

As shown in the table above, the applicants projected nursing patient days of care for Medicaid recipients (76.19%) is 0.41 percentage points (76.6% - 76.19% = 0.41%) and slightly below the county average (76.6%) and 9.3 percentage points (76.19% - 66.9% = 9.3%) and 13.9% (9.3% / 66.9% = 13.9%) above the statewide average (66.9%). Therefore, the applicants demonstrate that medically underserved groups will have

adequate access to the proposed services and the application is conforming to this criterion.

Chatham Health. In Section VI.3, page 51, the applicants project the following payor mix for the nursing care beds during the second full federal fiscal year of operation (FFY 2018) following completion of the project.

Payor Source	Projected Patient Days as % of Total Patient Days
Private Pay/Commercial	6.03%
Medicare	15.66%
Medicaid	78.31%
Total	100.00%

As shown in the table above, the applicants projected nursing patient days of care for Medicaid recipients (78.31%) is 1.71 percentage points ($78.31\% - 76.6\% = 1.71\%$) and 2.2% ($1.71\% / 76.6\% = 2.2\%$) above the county average (76.6%) and 11.4 percentage points ($78.31\% - 66.9\% = 11.4\%$) and 17.0% ($11.4\% / 66.9\% = 17.0\%$) above the statewide average (66.9%). Therefore, the applicants demonstrate that medically underserved groups will have adequate access to the proposed services and the application is conforming to this criterion.

UNC. In Section VI.3, page 113, the applicants project the following payor mix for the nursing care beds during the second full federal fiscal year of operation (FFY 2017) following completion of the project.

Payor Source	Projected Patient Days as % of Total Patient Days	Projected Patient Days as % of Total Patient Days for Special Care Unit
Private Pay/Other*	8.6%	8.6%
Medicare	14.3%	14.3%
Medicaid	77.1%	77.1%
Total	100.0%	100.0%

* On page 113, the applicants state "other" includes commercial, state and other government payors.

As shown in the table above, the applicants projected nursing patient days of care for Medicaid recipients (77.1%) is 0.5 percentage points ($77.1\% - 76.6\% = 0.5\%$) and slightly above the county average (76.6%) and 10.2 percentage points ($77.1\% - 66.9\% = 10.2\%$) and 15.2% ($10.2\% / 66.9\% = 15.2\%$) above the statewide average (66.9%). Therefore, the applicants demonstrate that medically underserved groups will have adequate access to the proposed services and the application is conforming to this criterion.

PruittHealth. In Section VI.3, page 178, the applicants project the following payor mix for the nursing care beds during the second full federal fiscal year of operation (FFY 2017) following completion of the project.

Payor Source	Projected Patient Days by Payor as % of Total Patient Days
Private Pay/ Commercial	7.0%
Medicare	22.1%
Medicaid	69.8%
VA/CHAMPUS	1.2%
Total	100.0%

As shown in the table above, the applicants projected nursing patient days of care for Medicaid recipients (69.8%) is 6.8 percentage points ($76.6\% - 69.8\% = 6.8\%$) and 8.9% ($6.8\% / 76.6\% = 8.9\%$) below the county average (76.6%) and 2.9 percentage points ($69.8\% - 66.9\% = 2.9\%$) and 4.3% ($2.9\% / 66.9\% = 4.3\%$) above the statewide average (66.9%). Therefore, the applicants demonstrate that medically underserved groups will have adequate access to the proposed services and the application is conforming to 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
All Applications

Kensington. In Section VI.7, pages 70-71, the applicants adequately demonstrate that the proposed nursing facilities will offer a range of means by which persons will have access to their services. Therefore, the application is conforming to this criterion.

Liberty. In Section VI.7, pages 81-82, the applicants adequately demonstrate that the proposed nursing facilities will offer a range of means by which persons will have access to their services. Therefore, the application is conforming to this criterion.

Chatham Health. In Section VI.7, page 52, the applicants adequately demonstrate that the proposed nursing facilities will offer a range of means by which persons will have access to their services. Therefore, the application is conforming to this criterion.

UNC. In Section VI.7, page 117, the applicants adequately demonstrate that the proposed nursing facilities will offer a range of means by which persons will have access to their services. Therefore, the application is conforming to this criterion.

PruittHealth. In Section VI.7, page 181, the applicants adequately demonstrate that the proposed nursing facilities will offer a range of means by which persons will have access to their services. 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
All Applications

Kensington. In Section V.1, page 61 and Exhibit 17, the applicants include correspondence sent to eight area health professional training programs offering the proposed nursing care facility as a clinical training site. The applicants indicate they received responses from Watts School of Nursing and Durham Technical Community College. The applicants adequately demonstrate that the proposed nursing facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

Liberty. In Section V.1, page 76, and Exhibit 24, the applicants include correspondence sent to seven area health professional training programs offering the proposed nursing care facility as a clinical training site. The applicants adequately demonstrate that the proposed nursing facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

Chatham Health. In Section V.1, page 45 and Exhibit 10, the applicants include correspondence sent to Central Carolina Community College offering the proposed nursing care facility as a clinical training site. In addition, the applicants indicate they plan to partner with Campbell College School of Nursing to use that facility as a clinical rotation site. The applicants adequately demonstrate that the proposed nursing facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

UNC. In Section V.1, pages 103-107 and Exhibit 16, the applicants include correspondence from UNC School of Medicine, UNC School of Medicine's Division of Geriatric Medicine, UNC School of Medicine's Department of Psychiatry, and UNC Hospitals' McLendon Clinical Laboratories documenting the schools' intent to utilize the proposed nursing facility for clinical training opportunities. Exhibit 31 contains 27 letters of support from area programs. On page 105, the applicants state UNC Hospitals is committed to supporting the clinical needs of the area and discuss their Clinical Partners Program, through the UNC School of Nursing, which provides clinical rotations for students from Durham Technical College and Rockingham Community College. The applicants adequately demonstrate that the proposed nursing facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

PruittHealth. In Section V.1, pages 170, and Exhibit 47, the applicants include correspondence sent to three area health professional training programs offering the proposed nursing care facility as a clinical training site. The applicants state

“UHS, UPAC-Raleigh, UPAC-Durham, and UPAC-Carolina Point currently have formal program relationships with several North Carolina health professional training programs. PruittHealth – Chatham will do the same.”

The applicants also include a letter from Central Carolina Community College expressing support and interest in becoming a clinical training site. In Exhibit 72, the applicants include UPAC-Raleigh’s existing training program relationships. The applicants adequately demonstrate that the proposed nursing 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.

NC - PruittHealth
C - All Other Applications

Five applicants submitted proposals to the Certificate of Need Section to develop a nursing facility in Chatham County, based on a need determination for 90 additional nursing care beds in Chatham County in the 2013 State Medical Facilities Plan (2013 SMFP). The following table identifies the existing facilities with nursing care beds in Chatham County and their occupancy rates.

Facility	Township	2013 SMFP Inventory*	Occupancy Rate**
The Laurels of Chatham	Center	140	93.5%
Siler City Care & Rehabilitation	Matthews	150	97.0%
Carolina Meadows Health Center (CCRC)^	Williams	90	82.2%
The Arbor (CCRC)^	Williams	40	75.0%
Total		420	

* Source: Table 10A, 2013 State Medical Facilities Plan.

^ 2013 SMFP Planning Inventory totals exclude 50% of the nursing care beds from continuing care retirement communities (CCRCs) for a 2013 SMFP Planning Inventory total of 356 beds in Chatham County.

** Source: 2013 Nursing Home License Renewal Applications as of September 12, 2012.

The 2013 SMFP projected a deficit of 94 nursing care beds in Chatham County for 2016, and as shown on the table above, the occupancy rates for the two existing nursing homes, excluding the CCRCs, is greater than 90%, generating the need for 90 additional beds in Chatham County.

The following five applicants submitted proposals to the Certificate of Need Section to develop a 90-bed nursing facility in Chatham County.

Kensington. In Section I.12, pages 14-15, the applicants state they do not currently own or operate a nursing care facility in Chatham County, but principals and affiliates of the applicants own and operate nursing care facilities in other North Carolina counties.

In Section II.5, pages 29-30, and Section V.6, pages 65-66, the applicants discuss how any enhanced competition in the service area will positively impact the cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following:

- The applicants adequately demonstrate the need to develop a new 90 bed nursing care facility in Chatham County and that it is a cost-effective alternative to meet the identified need;
- The applicants will provide quality services; and
- The applicants propose to provide adequate access to medically underserved populations.

The application is conforming to this criterion.

Liberty. In Section I.12, pages 10-11, the applicants state they do not currently own or operate a nursing care facility in Chatham County, but affiliates of the applicants own and operate nursing care facilities in other North Carolina counties.

In Section II.5, page 43 and Exhibit 9, and Section V.6, page 78, the applicants discuss how any enhanced competition in the service area will positively impact the cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following:

- The applicants adequately demonstrate the need to develop a new 90 bed nursing care facility in Chatham County and that it is a cost-effective alternative to meet the identified need;
- The applicants will provide quality services; and
- The applicants propose to provide adequate access to medically underserved populations.

The application is conforming to this criterion.

Chatham Health. In Section I.12, pages 12-13 and Exhibit 2, the applicants state they do not currently own or operate a nursing care facility in Chatham County, but principals and affiliates of the applicants own and operate nursing care facilities in other North Carolina counties.

In Section II.5, page 23 and Exhibits 3-4, and Section V.6, pages 48-49, the applicants discuss how any enhanced competition in the service area will positively impact the cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following:

- The applicants adequately demonstrate the need to develop a new 90 bed nursing care facility in Chatham County and that it is a cost-effective alternative to meet the identified need;
- The applicants will provide quality services; and
- The applicants propose to provide adequate access to medically underserved populations.

The application is conforming to this criterion.

UNC. The applicants state they do not currently own or operate a nursing care facility in Chatham County.

In Section II.5, pages 47-49 and Exhibit 8, and Section V.6, pages 109-111, the applicants discuss how any enhanced competition in the service area will positively impact the cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following:

- The applicants adequately demonstrate the need to develop a new 90 bed nursing care facility in Chatham County and that it is a cost-effective alternative to meet the identified need;
- The applicants will provide quality services; and
- The applicants propose to provide adequate access to medically underserved populations.

The application is conforming to this criterion.

PruittHealth. In Section I.12, page 14, the applicants state they do not currently own or operate a nursing care facility in Chatham County, but affiliates of the applicants listed in Exhibit 14 own and operate nursing care facilities in other North Carolina counties.

In Section II.5, pages 83-107, and Section V.6, pages 174-176, the applicants discuss how any enhanced competition in the service area will positively impact the cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants regarding quality and access in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on quality and access to the proposed services.

However, PruittHealth does not adequately demonstrate that any enhanced competition will have a positive impact on the cost-effectiveness of the proposed services. This determination is based on the information in the application regarding projected operating costs and the financial feasibility of the applicants' project. The applicants do not adequately demonstrate that projected operating costs are reliable. See Criterion (5) for discussion which is incorporated hereby as if set forth fully herein.

The application is not 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.

NA - UNC
C - All Other Applications

All of the applicants state they did not own or operate any nursing facilities in Chatham County, however, four of the applicants disclosed principles or affiliates associated with the applicants who own or operate nursing facilities in North Carolina as follows:

Kensington. In Section I.12, pages 14-17, the applicants state the principals and affiliates of the applicants, J.E.E., LLC (lessor) and Kensington Rehab and Nursing Center, Inc. (lessee),

hold ownership interests in Hillside Nursing Center of Wake Forest in Wake County, Windsor Point CCRC in Fuquay-Varina in Wake County, BellaRose Nursing and Rehab Center in Raleigh in Wake County (not yet constructed), and Brunswick Cove in Leland in Brunswick County. In Section II.6, page 32, the applicants state that none of the three operational facilities listed above have any incidents of substandard quality of care, as defined in 42 CFR 488.301, during the 18 months immediately preceding the submittal of the application.

According to the Nursing Home Licensure and Certification Section, DSHR, there were no incidents for which licensure penalties, suspension of admission, provisional licensure or certification deficiencies constituting substandard quality of care were imposed at any of the three operational facilities listed above since February 15, 2012. The applicants have provided evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Liberty. In Section I.12, pages 10-14, the applicants, Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee) state affiliates own or operate 19 nursing facilities in North Carolina. In Section II.6, pages 44-46 and Exhibit 10, the applicants identify one nursing facility in Forsyth County, out of the 19 total nursing facilities in North Carolina, found to have provided substandard quality of care, as defined in 42 CFR 488.301, at the Immediate Jeopardy level, during the 18 months immediately preceding the submittal of the application.

According to the Nursing Home Licensure and Certification Section, DSHR, there was one incident for which licensure penalties, suspension of admission, provisional licensure or certification deficiencies constituting substandard quality of care was imposed at one nursing facility in Forsyth County, out of the 19 total facilities listed on pages 44-46 of the application, since February 15, 2012. After reviewing and considering the information provided by the applicants and by the Nursing Home Licensure and Certification Section, and considering the quality of care provided at all 19 facilities, the applicants have provided evidence that quality care has been provided in the past and demonstrated that there is no pattern of substandard quality of care. Therefore, the application is conforming to this criterion.

Chatham Health. In Section I.12, pages 12-14, the applicants state the principles for Chatham Health Investors, LLC own and operate a nursing home development company, Smith/Packett Med-Com, LLC and two nursing facilities in North Carolina, Dunn Health and Rehabilitation Center in Harnett County and Maggie Valley Nursing and Rehabilitation Center in Haywood County. Saber Health Holdings, LLC, owner of Chatham Healthcare Group, LLC has operating interests in two nursing homes in North Carolina, Azalea Health and Rehabilitation Center in New Hanover County and Dunn Health and Rehabilitation Center in Harnett County. In Section II.6, page 24, the applicants state that Azalea Health and Rehabilitation and Dunn Health and Rehabilitation did not have any incidents of substandard quality of care, as defined in 42 CFR 488.301, during the 18 months immediately preceding the submittal of the application. However, the applicants do not address Maggie Valley Nursing and Rehabilitation Center.

According to the Nursing Home Licensure and Certification Section, DSHR, there were no incidents for which licensure penalties, suspension of admission, provisional licensure or certification deficiencies constituting substandard quality of care were imposed at any of the three facilities listed above since February 15, 2012. The applicants have provided evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

PruittHealth. In Section I.12, pages 14-17, the applicants, PruittHealth-Chatham, LLC and Chatham Healthcare Properties, Inc., identify affiliates United Health Services, Inc. (UHS) as the parent company for PruittHealth-Chatham, and UHS-Pruitt Corporation as the management company. On page 17 and Exhibit 14, the applicants state that the affiliates own or manage a total of 16 nursing facilities located in North Carolina. In Exhibit 34, the applicants identify five nursing facilities in Orange, Durham, Forsyth, and Craven counties, out of the 16 total nursing facilities in North Carolina, found to have provided substandard quality of care, as defined in 42 CFR 488.301, during the 18 months immediately preceding the submittal of the application.

According to the Nursing Home Licensure and Certification Section, DSHR, there were six incidents in five facilities for which licensure penalties, suspension of admission, provisional licensure or certification deficiencies constituting substandard quality of care were imposed at the facilities listed in Exhibit 14 of the application since February 15, 2012. After reviewing and considering the information provided by the applicants and by the Nursing Home Licensure and Certification Section, and considering the quality of care provided at all 16 facilities, the applicants have provided evidence that quality care has been provided in the past and demonstrated that there is no pattern of substandard quality of care. 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
All Applications

The proposals submitted by all the applicants are consistent with all applicable Criteria and Standards for Nursing Facility Services, promulgated in 10A NCAC 14C .1100. See discussion below.

10A NCAC 14C .1101 INFORMATION REQUIRED OF APPLICANT

- .1101(a) *An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*
- C- **Kensington.** In Section IV.2, pages 55-57, the applicants project occupancy levels for the first eight quarters for the proposed facility and in Exhibit 23, the applicants provide the assumptions used to project occupancy.
 - C- **Liberty.** In Section IV.2, pages 69-70, the applicants project occupancy levels for the first eight quarters for the proposed facility. In Section IV.2, page 67, the applicants provide the assumption used to project utilization.
 - C- **Chatham Health.** In Section IV.2, pages 40-41, the applicants project occupancy levels for the first eight quarters for the proposed facility. In Section IV.2, page 40, the applicants provide the assumptions used to project utilization.
 - C- **UNC.** In Section IV.2, pages 97-98, the applicants project occupancy levels for the first eight quarters for the facility and in Section IV.2, page 99, the applicants provide the assumptions used to project occupancy.
 - C- **PruittHealth.** In Section IV.2, pages 160-163, the applicants project occupancy levels for the first eight quarters for the proposed facility and in Section IV.2, pages 155-156, provide the methodology and assumptions used to project occupancy.
- .1101(b) *An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*
- C- **All Applicants.** See Section III.9 of each application for projected patient origin by county of residence for the proposed facility and the assumptions and methodologies used to make the projections. The information provided in each application is reasonable and credible and supports a finding of conformity with this rule. See Criterion (3) for additional discussion relating to projected patient origin which is incorporated hereby as if set forth fully herein.
- .1101(c) *An applicant proposing to establish new nursing facility or adult care home beds shall show that at least 85 percent of the anticipated patient population in the entire facility lives within a 45 mile radius of the facility, with the exception that this standard shall be waived for applicants proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, facilities that are fraternal or religious facilities, or facilities that are part of licensed*

continuing care facilities which make services available to large or geographically diverse populations.

- C- **All Applicants.** See Section III.10 and referenced exhibits of each application. All applicants shows that at least 85 percent of the projected residents of the proposed facility will live within 45 miles of the facility. The information provided in each application is reasonable and credible and supports a finding of conformity with this rule.

- .1101(d) *An applicant proposing to establish a new nursing facility or adult care home shall specify the site on which the facility will be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify at least one alternative site on which the services could be operated should acquisition efforts relative to the proposed site ultimately fail, and shall demonstrate that the proposed and alternate sites are available for acquisition.*

- C- **Kensington.** In Section XI.2, page 105, the applicants identify the primary site for the proposed nursing facility as a 7.91-acre site located on Lowes Drive in Pittsboro. Exhibit 24 contains a copy of the land purchase contract identifying the specific land purchased. Exhibit 26 contains a map and aerial photo identifying the location of the site.

- C- **Liberty.** In Section XI.2, page 119, the applicants identify the primary site for the proposed nursing facility as a 26.1-acre site located at US 15 501 N and Sunny Acres Road in Pittsboro. Exhibit 30 contains a copy of a letter from a realtor documenting that the site is available for purchase. In Section XI.3, pages 121-122, the applicants identify the secondary site for the proposed nursing facility as a 17-acre site located in Chatham County at 79 Marvin Edwards Lane which has a postal address in Chapel Hill. Exhibit 34 contains a copy of a letter from a realtor documenting that the site is available for purchase.

- C- **Chatham Health.** In Section XI.2, page 83, the applicants identify the primary site for the proposed nursing facility as a 30-acre site located in Chatham County at 460 Henley Road which has a postal address in Chapel Hill. Exhibit 18 contains a copy of a letter from a realtor documenting that the site is available for purchase. In Section XI.3, pages 85-86, the applicants identify the secondary site for the proposed nursing facility as a 17.8-acre site located in Chatham County at Parcel # 0019382 (PIN 979600335272) which has a postal address in Chapel Hill. Exhibit 18 contains a copy of a letter from a realtor documenting that the site is available for purchase.

- C- **UNC.** In Section XI.2, page 154, the applicants identify the primary site for the proposed nursing facility as a 9.1-acre site located at Block F8 within the Chatham Park development in Pittsboro. Exhibit 1 contains a copy of CPI's property deed and a copy of the proposed lease agreement between CPI and UNC. Note: CPI is a co-applicant.

- C- **PruittHealth.** In Section XI.2, page 231, the applicants identify the primary site for the proposed nursing facility as a 12.26-acre site located at Parcel Number 6683 off Hillsboro Street in Pittsboro. Exhibit 9 contains a copy of a letter from a realtor documenting that the site is available for purchase. In Section XI.2, page 235, the applicants identify the secondary site for the proposed nursing facility as a 64-acre site located at Siler Business Park, Siler Business Drive in Siler City. The applicants state they would only acquire a portion of the 64 acre property. Exhibit 9 contains a copy of a letter from a realtor documenting that the site is available for purchase.
- .1101(e) *An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.*
- C- **Kensington.** In Section XI.2, pages 105-106, the applicants state “*The primary site is part of a larger tract of land that is currently zoned MUPD (Mixed Use Planned Development). See Exhibit 25 for a zoning verification letter from Mr. Stuart Bass, Planning Director for the Town of Pittsboro, and a table of the permitted uses within this zoning classification from the Town of Pittsboro Zoning Ordinance.*” Exhibit 25 lists nursing homes as permitted by right in a MUPD zone. In Section XI.2(k), page 107, the applicants state Exhibit 27 contains a letter from the planning director which indicates that water and wastewater are available to the proposed site. The application is conforming to this rule.
- C- **Liberty.**
Primary Site: In Section XI.2, page 119, the applicants state, “*Current zoning for this site is CU-B1. See Exhibit 31 for zoning verification and for a schedule of permitted uses for zoning designations, specifically page 47 of the included document.*” Exhibit 31, page 557, lists nursing homes as a permitted use in a CU-B1 zone. Exhibit 31, page 502, includes correspondence from Angela Birchett, Chatham County Zoning Administrator indicating “*As it is currently approved, the use for a nursing home is an allowable use.*” In Section XI.2(k), page 120, the applicants state, “*Water is readily available on US 15-501 via an 8-inch main.*” Exhibit 33 contains a letter from the Chatham County Public Utilities Director which states that water service is available to the proposed site. The applicants also state “*No county sewer system currently exists in the area, but there is a private system across US 15-501 serving the Ferrington [sic] Village area. Also, a preliminary cost estimate for a private system was conducting [sic] by an engineering firm. The applicants chose to provision for the cost of this system as it is the more expensive and therefore more conservative projection. Engineer’s preliminary estimates ranged from \$360,000 to \$480,000 plus the cost of an additional 10 acres of land.*” Exhibit 33 contains an email from the engineer confirming this estimate. Exhibit 38 contains a letter from the architect which includes an estimate for a private sewage system.

Secondary Site: In Section XI.3, page 122, the applicants state the secondary site is currently zoned R-2. Exhibit 31 contains a schedule of permitted uses listing R-2 as residential. Exhibit 35, page 632, contains correspondence from Angela Birchett indicating this secondary site would need to be rezoned to Conditional District O & I (Office and Institutional) because a nursing home is not currently an allowable use. Ms. Birchett also indicated that a nursing facility must be sited on the front half of the tract since this parcel is split between two different watershed classifications. Exhibit 33 contains a letter from the Chatham County Public Utilities Director which states that water service is available, but no sewer service. Exhibit 38 contains a letter from the architect which includes an estimate for a private sewage system.

The application is conforming to this rule.

-C- Chatham Health.

Primary Site: In Section XI.2, page 84, the applicants state, "*The proposed property use is compatible with surrounding property uses.*" Exhibit 19 contains a letter from the Chatham County Land Use Administrator/Zoning which indicates the current zoning of the proposed site is R-1 Residential. The letter also states "*The use for a nursing home is an allowable use within the Office and Institutional (O&I), Community Business District (CB), Regional Business District (RB) zoning. The property will need to be re-zoned and a non-residential subdivision created for the 30 acre tract.*" On pages 590-593 of the application, the applicants provide the general requirements and procedures for requesting rezoning in Chatham County. In Section XI.2(k) and Exhibit 21, the applicants state, "*The site is currently serviced by water and sewer services.*" Exhibit 21 contains a letter from the Chatham County Public Utilities Director indicating two options to bring water to the site "*...the subject property does not have water service available along Henley Road. There is water available from an existing Chatham County owned 12-inch water main along Jack Bennett Road. A water main can be extended... .*" Exhibit 22 contains correspondence regarding sewage disposal and the applicants state on page 85, "*The project's consultant, CE Group, has provided a number of such facilities in the area, and their recommendation is made in a letter dated July 22, 2013.*" In Exhibit 22, page 630, the applicants include an email from Jon Risqaard, Supervisor, Land Application Unit, Aquifer Protection Service NC DENR which states "*The information provided to you by CE Group on August 7th appears to provide reasonable advise [sic] based on similar projects in that area.*" Note: The project analyst could not locate information from the CE Group dated August 7, however there is a letter from CE Group dated July 22, 2013 on page 602 of the application which includes a cost estimate.

Secondary Site: Exhibit 19 contains a letter from the Chatham County Land Use Administrator/Zoning which indicates the current zoning of the proposed site is R-1 Residential. The letter also states "*The use for a nursing home is an allowable use within the Office and Institutional (O&I), Community Business District (CB), Regional Business District (RB) zoning. The property will need to be re-zoned.*" Exhibit 21 contains a letter from the Chatham County Public Utilities Director which

indicates that water service is available. Exhibit 22 contains a letter from the President of Aqua regarding an existing wastewater treatment plant at Carolina Meadows that could provide sewer service to this site.

The application is conforming to this rule.

- C- **UNC.** In Section XI.2, page 155, the applicants state, *“The current zoning for the site is an R-A2 Residential – Agricultural (minimum of two acres) District. Please see Exhibit 26 for a letter from the Town of Pittsboro Planning Manager, verifying the current zoning of the proposed site as R-A2. As documented in the letter, the Town of Pittsboro’s zoning ordinance lists ‘Hospitals, nursing homes’ as a use that is permitted in the R-A2 zone, but requires a special use permit.”* Exhibit 26, page 609, contains excerpts from the Town of Pittsboro’s Zoning Ordinance describing the required procedures for obtaining a special use permit as well as the applicable additional restriction for nursing facilities provided on page 167. On page 156, the applicants state the zoning/special use permit process is underway and CPI has received preliminary approval from the Town Planning Board as part of the Chatham Park development zoning. In Section XI.2(k), the applicants state, *“The Town of Pittsboro does not currently provide water or wastewater services into the Chatham Park development.”* Exhibit 28 contains a letter from CPI which states that CPI will provide power, water, and sewer services to the site at its expense. The application is conforming to this rule.

-C- **PruittHealth.**

Primary Site: In Section XI.2, page 232, the applicants state, *“The site is currently zoned for R-12.”* The applicants state Exhibit 20, pages 774-775, contains a letter from the Town of Pittsboro Zoning Director, verifying the current zoning of the proposed site as R-12, Medium Density Residential. On page 741, the Town of Pittsboro’s zoning ordinance lists R-12 as permitting hospitals and nursing homes by special use permit only. The applicants state that the proposed site could be rezoned or they can apply for a special use permit. On page 773, the applicants included the additional restrictions for nursing facilities. On pages 776-778, the applicants include a copy of the Town of Pittsboro Zoning District Change Application and the Town of Pittsboro Special Use Permit Application. In Section XI.2(k), the applicants state that water and sewer services are available to the site. Exhibit 20 contains an email from the zoning director which states *“the utility line is within and/or adjacent to the right of way. A connection would have to be made. Size of lines would be an engineering item associated with a site plan.”*

Secondary Site: In Section XI.3, page 235, the applicants state the secondary site is currently zoned L-1, light industrial use and a conditional use permit would have to be obtained to develop a nursing facility. Exhibit 71 contains the conditional zoning application, zoning districts and zoning map. Exhibit 71 also contains correspondence from the Director of Planning and Community Development for the Town of Siler City, indicating this site has access to town water and sewer, located within the right-of-way of Siler Business Drive which runs along the property line.

Additionally, the Director indicates there are two of the Town's main water lines intersecting this property.

The application is conforming to this rule.

.1101(f) *An applicant proposing to establish new nursing facility or adult care home beds shall provide documentation to demonstrate that the physical plant will conform with all requirements as stated in 10A NCAC 13D or 10A NCAC 13F, whichever is applicable.*

-C- **All Applicants.** See Sections II and XI and referenced exhibits of the respective applications for documentation regarding conformity with all requirements as stated in 10A NCAC 13D.

10A NCAC 14C .1102 PERFORMANCE STANDARDS

.1102(a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

-NA- **All Applicants.** None of the applicants propose to add nursing facility beds to an existing nursing facility.

.1102(b) *An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

-C- **Kensington.** In Section IV.2, page 57, the applicants project occupancy will be 95% in the second year of operation. In Exhibit 23, the applicants provide the assumptions used to project occupancy.

-C- **Liberty.** In Section IV.2, page 70, the applicants project occupancy will be 94% in the second year of operation. In Section IV.2, page 67, the applicants provide the assumption used to project occupancy.

- C- **Chatham Health.** In Section IV.2, page 41, the applicants project occupancy will be 92.22% in the second year of operation. The applicants provide the assumption used to project occupancy in Section IV.2, page 40.
 - C- **UNC.** In Section IV.2, page 98, the applicants project occupancy will be 95.6% in the second year of operation. In Section IV.2, page 99, the applicants provide the assumptions used to project occupancy.
 - C- **PruittHealth.** In Section IV.2, page 162, the applicants project occupancy will be 96% in the second year of operation. In Section IV.2, pages 155-156, the applicants provide the methodology and assumptions used to project occupancy.
- .1102(c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*
- NA- **All Applicants.** None of the applicants proposes to add adult care home beds to an existing facility.
- .1102(d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*
- NA- **All Applicants.** None of the applicants proposes to develop a new adult care home facility or to add adult care home beds to an existing facility.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1), no more than 90 new nursing care beds may be approved in this review for Chatham County. Because the five applications collectively propose 450 new nursing care beds, all five applications cannot be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst also conducted a comparative analysis of the proposals to decide which proposal should be approved.

For the reasons set forth below and in the rest of the findings, the application submitted by **Liberty** is approved, as conditioned, and the applications submitted by the other applicants are denied.

Geographic Distribution of Beds

The following table illustrates the applicants' analysis as to where in Chatham County the 90 new nursing care beds should be located based on: a) the applicants' assumptions and methodology and b) the applicants' conclusion regarding the location.

Applicants	Summary of the Applicants' Assumptions and Methodology	Applicants' Conclusions Regarding Location
Kensington	Kensington considered the geographic distribution of existing nursing care beds; bed need projections by township based on population projections and age cohorts; senior household income; community input; and the location of Chatham Hospital.	Pittsboro/Center Township, located in the central/eastern portion of Chatham County
Liberty	Liberty considered the geographic distribution of existing nursing care beds; bed need/surplus projections by township based on population projections and age cohorts; community input; and the location of residential areas.	Pittsboro/Baldwin Township, located in the northeastern portion of Chatham County, adjacent to Williams Township
Chatham Health	Chatham Health considered the geographic distribution of existing nursing care beds; bed need projections by township based on population projections and age cohorts; and area analysis of Williams and Baldwin townships.	Chapel Hill/Williams Township, located in the northeastern portion of Chatham County
UNC	UNC considered the geographic distribution of existing nursing care beds; bed need projections by zip code area based on population projections and age cohorts for Chatham County and adjacent counties; and need for ventilation services.	Pittsboro/Center Township, located in the central/eastern portion of Chatham County
PruittHealth	PruittHealth considered the geographic distribution of existing nursing care beds; bed need projections by township based on population projections and age cohorts for Chatham County; and community input.	Pittsboro/Center Township, located in the central/eastern portion of Chatham County

The following table summarizes the townships which the applicants state need additional nursing care beds and identifies how many applicants stated that township needs additional nursing care beds.

Township	# of Applicants stating there is a need for additional nursing care beds by township
Center	3
Williams	1
Baldwin	1

The following table identifies the existing nursing facilities in Chatham County by the township in which they are located.

Facility	Township	2013 SMFP Planning Inventory
The Laurels of Chatham	Center	140
Siler City Care & Rehabilitation	Matthews	150
Carolina Meadows Health Center (CCRC)	Williams	45 ^
The Arbor (CCRC)	Williams	21 ^
Total		356

Source: Table 10A, 2013 State Medical Facilities Plan.

^2013 SMFP Planning Inventory totals for these facilities reflect the 50 percent reduction in nursing care beds at continuing care retirement communities (CCRCs).

The above table shows that approved or existing nursing care beds are currently located in three of the 13 townships in Chatham County.

The project analyst developed the following table of bed need by township, based on information provided by the three applicants that included a detailed township analysis for 2016.

Average Projected 2016 Nursing Care Bed Surplus/Deficit by Townships in Chatham County		
Township	2013 SMFP Planning Inventory	2016 Average Projected Bed Surplus/[Deficit]
Baldwin	0	[38]
Cape Fear	0	[7]
Center	140	87
Haw River	0	[8]
New Hope	0	[16]
Oakland	0	[8]
Williams	66	[88]
Subtotal bed deficit in Eastern Chatham County		[77]
Albright	0	[15]
Bear Creek	0	[23]
Gulf	0	[20]
Hadley	0	[14]
Hickory Mountain	0	[16]
Matthews	150	73
Subtotal bed deficit in Western Chatham County		[15]
Total Chatham County bed deficit		[92]

Source: The 2016 Average Projected Bed Surplus/[Deficit] above is based on an average of the projections included by the three different applicants that provided 2016 projections by township; Kensington, Liberty, and PruittHealth. Chatham Health and UNC did not provide 2016 projections by township.

Based on the applicants' projections, all areas of Chatham County will have a projected deficit of nursing care beds by 2016 except Center in the eastern portion of the county and Matthews in the western portion of the county. The applicants project the greatest nursing care bed need will be in the eastern portion of the county, Williams Township (88 beds) and Baldwin Township (38 beds). The applicants project the next greatest nursing care bed need will be in the western portion of the county, Bear Creek Township (23 beds) and Gulf Township (20 beds).

As shown in the table above, based on the applicants' projections, Chatham County will have a total projected deficit of nursing care beds of 92 by 2016. It should be noted that the 2013 SMFP nursing care bed need methodology [Table 10B: Nursing Care Bed Need Projections for 2016 (2013 Plan)] projected that Chatham County will have a total nursing care bed deficit of 94 beds by 2016.

The Project Analyst grouped the applications based on the proposed site's proximity to the townships for which the greatest nursing care bed deficits are projected. In other words, applications are ranked by the effectiveness of the proposed location to meet the projected deficit by area of the county as more effective and effective.

Effectiveness of Proposed Location		
More Effective	Township	Municipality/Area
Chatham Health	Williams	Chapel Hill/Williams Township Northeastern Chatham County off Henley Road
Liberty	Baldwin	Pittsboro/Baldwin Township Northeastern Chatham County across from Fearington Village adjacent to Williams Township
Effective		
Kensington	Center	Pittsboro/Center Township Central/eastern Chatham County in the Chatham Park Development
UNC	Center	Pittsboro/Center Township Central/eastern Chatham County in the Chatham Park Development
PruittHealth	Center	Pittsboro/Center Township Central/eastern Chatham County off Hillsboro Street

Note: The need determination in the 2013 SMFP does not include a preference for a particular area of the county. In other words, the need for 90 additional nursing care beds is for “Chatham County” and the beds can be located anywhere in the county.

Private Rooms

The following table shows the number of nursing care beds in private and semiprivate rooms proposed by the applicants, as reported in Section XI.8 of the applications. Generally, the application proposing the higher number of private beds as a percentage of total beds is the more effective alternative with respect to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Applicants	Proposed # of Beds in Private Rooms	Proposed # of Beds in Semiprivate Rooms	Total Beds Proposed	Number of Beds in Private Rooms as Percent of Total
PruittHealth	58	32	90	64%
Kensington	46	44	90	51%
Liberty	46	44	90	51%
UNC	46	44	90	51%
Chatham Health	34	56	90	38%

As shown above, **PruittHealth** proposes to develop the largest number of private nursing care beds. Therefore, the proposal submitted by **PruittHealth** appears to be the more effective alternative for developing additional private nursing care beds within Chatham County. However, the application submitted by **PruittHealth** is not approvable. Of the approvable applications, **Kensington, Liberty,** and **UNC** propose to develop the largest number of private nursing care beds. Therefore, the

applications submitted by **Kensington, Liberty and UNC** are the more effective alternatives with regard to this factor.

Access by Underserved Groups

The following table shows the applicants' projected percentage of total nursing patient days to be provided to Medicaid recipients during the second full federal fiscal year of operation following completion of the project, as well as the FY 2011 Chatham County and statewide averages. Generally, the application proposing the higher Medicaid percentage is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Applicants	Medicaid Patient Days as Percent of Total Patient Days
Chatham Health	78.3%
Liberty	78.0%
UNC	77.1%
FY 2011 Chatham County Average*	76.6%
Kensington	74.0%
PruittHealth	69.8%
FY 2011 Statewide Average	66.9%

Source: Section IV.3 of the applications, and DMA 2011 cost reports

* Chatham County average excludes Carolina Meadows Health Center and The Arbor continuing care retirement communities (CCRCs).

As shown in the above table, **Chatham Health, Liberty and UNC** project the highest percentage of total patient days to be provided to Medicaid recipients. Therefore, the applications submitted by **Chatham Health, Liberty and UNC** are the more effective alternatives with regard to access to services by Medicaid recipients, as all project a Medicaid percentage of 77% or more, which is greater than both the FY 2011 Chatham County and statewide average.

Private Pay Charges

The following table shows the applicants projected private pay charges in the second full year of operation. Generally, the application proposing the lower private pay charge is the more effective alternative. The applications are listed in the table below in decreasing order of effectiveness (private room).

Applicants	Proposed Private Pay Charges Year 2	
	Private Room	Semiprivate Room
PruittHealth	\$173.69	\$168.69
Kensington	\$205.00	\$195.00
Average of Applicants	\$206.42	\$191.31
Liberty*	\$213.50	\$196.00
UNC*	\$219.91	\$201.88
Chatham Health	\$220.00	\$195.00

* Excludes Special Care Units (SCUs).

As shown in the above table, **PruittHealth** proposes the lowest private pay charge for a private room and the lowest private pay charge for a semiprivate room. Therefore, the proposal submitted by **PruittHealth** appears to be the more effective alternative. However, the application submitted by **PruittHealth** is not approvable. Of the approvable applications, **Kensington** proposes the lowest private pay charge for a private room and **Kensington and Liberty** propose the lowest private pay charge for a semiprivate room. Therefore, the application submitted by **Kensington** is the more effective alternative with regard to this factor.

Operating Costs

The following table shows the applicants' projected operating costs per patient day in the second year of operation. Generally, the application proposing the lower average operating cost per patient day is the more effective alternative. The applications are listed in the table below in decreasing order of effectiveness.

Applicants	Total Direct Cost (less Ancillary) Plus Indirect Cost per Patient Day
Liberty*	\$188.63
Kensington	\$190.22
Chatham Health	\$198.86
Average of Applicants	\$203.86
PruittHealth	\$212.51
UNC*	\$229.07

* Including SCUs.

Note: If the SCUs were excluded, cost per patient day would be \$185.63 for Liberty and \$209.88 for UNC.

Liberty projects the lowest total direct (less ancillary) plus indirect cost per patient day. Therefore, the application submitted by **Liberty** is the more effective alternative with regard to this factor.

Staffing

Salaries

The following tables show the applicants' projected direct care nursing salaries for registered nurses (RNs), licensed practical nurses (LPNs), and nurse aides (Aides) during the second year of operation, as

reported by the applicants in Section VII.3. Generally, the application proposing the higher annual salary for direct care staff is the more effective alternative. The applications are listed in the table below in decreasing order of effectiveness.

Applicants	Projected Annual Salary for a Registered Nurse (RN)
PruittHealth	\$69,411
Chatham Health	\$65,503
Liberty	\$62,358
Average of Applicants	\$62,239
Kensington	\$60,000
UNC	\$53,922

As shown in the above table, **PruittHealth** projects the highest annual salary for RNs. Therefore, the proposal submitted by **PruittHealth** appears to be the more effective alternative. However, the application submitted by **PruittHealth** is not approvable. Of the approvable applications, **Chatham Health** projects the highest annual salary for RNs. Therefore, the application submitted by **Chatham Health** is the more effective alternative with regard to this factor.

Applicants	Projected Annual Salary for a Licensed Practical Nurse (LPN)
PruittHealth	\$55,167
Liberty*	\$53,102
Average of Applicants	\$50,331
Kensington	\$50,000
UNC*	\$47,059
Chatham Health	\$46,327

* Excluding SCUs.

As shown in the above table, **PruittHealth** projects the highest annual salary for LPNs. Therefore, the proposal submitted by **PruittHealth** appears to be the more effective alternative. However, the application submitted by **PruittHealth** is not approvable. Of the approvable applications, **Liberty** projects the highest annual salary for LPNs. Therefore, the application submitted by **Liberty** is the more effective alternative with regard to this factor.

Applicants	Projected Annual Salary for a Nurse Aide (Aide)
PruittHealth	\$27,198
Liberty*	\$27,027
Chatham Health	\$26,291
Average of Applicants	\$26,097
Kensington	\$25,500
UNC*	\$24,471

* Excluding SCUs.

As shown in the above table, **PruittHealth** projects the highest annual salary for Aides. Therefore, the proposal submitted by **PruittHealth** appears to be the more effective alternative. However, the

application submitted by **PruittHealth** is not approvable. Of the approvable applications, **Liberty** projects the highest annual salary for Aides. Therefore, the application submitted by **Liberty** is the more effective alternative with regard to this factor.

The following tables show the applicants' projected salaries for the director of nursing (DON), and assistant director of nursing (ADON) during the second year of operation, as reported by the applicants in Section VII.3. Generally, the application proposing the higher annual salary for nursing management positions is the more effective alternative. The applications are listed in the following tables in decreasing order of effectiveness.

Applicants	Projected Annual Salary for a Director of Nursing (DON)
PruittHealth	\$96,527
Liberty	\$90,247
Chatham Health	\$90,181
Average of Applicants	\$87,791
Kensington	\$87,000
UNC	\$75,000

As shown in the above table, **PruittHealth** projects the highest annual salary for the DON. Therefore, the proposal submitted by **PruittHealth** appears to be the more effective alternative. However, the application submitted by **PruittHealth** is not approvable. Of the approvable applications, **Liberty** projects the highest annual salary for the DON. Therefore, the application submitted by **Liberty** is the more effective alternative with regard to this factor.

Applicants	Projected Annual Salary for an Assistant Director of Nursing (ADON)
PruittHealth	\$76,143
Kensington	\$70,000
Average of Applicants	\$66,932
UNC	\$61,988
Chatham Health	\$59,598
Liberty	\$0

As shown in the above table, **PruittHealth** projects the highest annual salary for the ADON position. Therefore, the proposal submitted by **PruittHealth** appears to be the more effective alternative. However, the application submitted by **PruittHealth** is not approvable. Of the approvable applications, **Kensington** projects the highest annual salary for the ADON position. Therefore, the application submitted by **Kensington** is the more effective alternative with regard to this factor.

Taxes and Benefits

The following table shows the applicants' projected percentage of salaries to be paid for employee taxes and benefits in the second year of operation. Generally, the application proposing the higher

percentage is the more effective alternative. The applications are listed in the following table in decreasing order of effectiveness.

Applicants	Taxes and Benefits as a % of Salaries
UNC	29.0%
PruittHealth	23.4%
Liberty	22.3%
Average of Applicants	22.1%
Kensington	18.0%
Chatham Health	18.0%

As shown in the above table, **UNC** projects the highest percentage of salaries to be paid for employee taxes and benefits. Therefore, the proposal submitted by **UNC** is the more effective alternative with regard to employee taxes and benefits.

Nursing Hours per Patient Day

The following table shows the applicants' projected nursing hours per patient day (NHPPD) to be provided by total direct care staff (RNs, LPNs & Aides) in Year Two as reported in the table in Section VII.4 of the application and budgeted in the pro forma financial statements. Generally, the application projecting the higher NHPPD to be provided by total direct care staff is the more effective alternative. The applications are listed in the following table in decreasing order of effectiveness.

Applicants	Total Direct Care NHPPD*
Kensington	4.25
Liberty*	4.06
PruittHealth	3.99
UNC	3.71
Chatham Health*	3.40

*Based on 1,950 hours per Aide position for Liberty and Chatham Health. All other applicants used 2080 hours.

As shown in the above table, **Kensington** projects the highest total direct care NHPPD. Therefore, the proposal submitted by **Kensington** is the more effective alternative with regard to highest total direct care NHPPD.

The following table illustrates the applicants' projected NHPPD to be provided by licensed direct care staff (RNs & LPNs) in Year Two as reported in the table in Section VII.4 of the application and budgeted in the pro forma financial statements. Generally, the application projecting the higher NHPPD to be provided by licensed direct care staff is the more effective alternative. The applications are listed in the following table in decreasing order of effectiveness.

Applicants	Licensed (RNs & LPNs) Direct Care NHPPD
UNC	1.67
PruittHealth	1.58
Kensington	1.45
Liberty	1.41
Chatham Health	1.06

As shown in the above table, **UNC** projects the highest licensed (RNs & LPNs) direct care NHPPD. Therefore, the proposal submitted by **UNC** is the more effective alternative with regard to projected licensed direct care NHPPD.

Conformity with Review Criteria

The applications submitted by **Kensington, Liberty, Chatham Health**, and **UNC** are conforming to all applicable statutory and regulatory review criteria. However, the application submitted by **PruittHealth** is not conforming to all statutory and regulatory review criteria. See Criteria (1), (4), (5), and (18a) for discussion.

SUMMARY

The following is a summary of the reasons the proposal submitted by **Liberty** is determined to be the most effective alternative in this review.

- The application is conforming to all statutory and regulatory review criteria.
- The applicants propose to develop a 90-bed nursing facility in Baldwin Township, adjacent to Williams Township in eastern Chatham County, which is the area of the county with the greatest projected need for nursing care beds in 2016. See Comparative Analysis.
- The applicants project to provide the second highest percentage of patient days to Medicaid recipients of all the applications. See Comparative Analysis.
- The applicants project the lowest total direct cost (less ancillary costs) plus indirect costs per patient day in the second full year of operation of all the applications in this review. See Comparative Analysis.
- The applicants propose the second highest nursing hours per patient day for direct care staff of all the applications in this review. See Comparative Analysis.
- The applicants propose to pay the second highest salaries for LPNs and Aides. See Comparative Analysis.

The following summaries illustrate why each denied application is determined to be a less effective alternative than the approved application.

Kensington

The following table:

- 1) Compares the proposal submitted by Kensington with the proposal submitted by the approved application, Liberty; and
- 2) Illustrates (bolded metrics) the reasons the approved application is a more effective alternative than the proposal submitted by Kensington.

Note: The comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

Comparative Factors	Liberty	Kensington
Geographic distribution of beds	Most Effective	Effective
% of private rooms	51.0%	51.0%
Medicaid access	78.0%	74.0%
Private pay charge-private room	\$213.50	\$205.00
Private pay charge-semi-private room	\$196.00	\$195.00
Average operating cost per diem (total direct - ancillary + indirect)	\$188.63	\$190.22
Salaries RN	\$62,358	\$60,000
LPN	\$53,102	\$50,000
Aide	\$27,027	\$25,500
DON	\$90,247	\$87,000
ADON	NA	\$70,000
Taxes and benefits	22.3%	18.0%
NHPPD*	4.06	4.25
Licensed NHPPD*	1.41	1.45
Conforming to all review criteria?	Yes	Yes

*Nursing hours per patient day.

Chatham Health

The following table:

- 1) Compares the proposal submitted by Chatham Health with the proposal submitted by the approved application, Liberty; and
- 2) Illustrates (bolded metrics) the reasons the approved application is a more effective alternative than the proposal submitted by Chatham Health.

Note: The comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

Comparative Factor	Liberty	Chatham Health
Geographic distribution of beds	Most Effective	Most Effective
% of private rooms	51.0%	38.0%
Medicaid access	78.0%	78.3%
Private pay charge-private room	\$213.50	\$220.00
Private pay charge-semi-private room	\$196.00	\$195.00
Average operating cost per diem (total direct - ancillary + indirect)	\$188.63	\$198.86
Salaries RN	\$62,358	\$46,327
LPN	\$53,102	\$47,000
Aide	\$27,027	\$26,291
DON	\$90,247	\$90,181
ADON	NA	\$59,598
Taxes and benefits	22.3%	18.0%
NHPPD*	4.06	3.40
Licensed NHPPD*	1.41	1.06
Conforming to all review criteria?	Yes	Yes

*Nursing hours per patient day.

UNC

The following table:

- 1) Compares the proposal submitted by UNC with the proposal submitted by the approved application, Liberty; and
- 2) Illustrates (bolded metrics) the reasons the approved application is a more effective alternative than the proposal submitted by UNC.

Note: The comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

Comparative Factor	Liberty	UNC
Geographic distribution of beds	Most Effective	Effective
% of private rooms	51.0%	51.0%
Medicaid access	78.0%	77.1%
Private pay charge-private room	\$213.50	\$219.91
Private pay charge-semi-private room	\$196.00	\$201.88
Average operating cost per diem (total direct - ancillary + indirect)	\$188.63	\$229.07
Salaries RN	\$62,358	\$53,922
LPN	\$53,102	\$47,059
Aide	\$27,027	\$24,471
DON	\$90,247	\$75,000
ADON	NA	\$61,988
Taxes and benefits	22.3%	29.0%
NHPPD*	4.06	3.71
Licensed NHPPD*	1.41	1.67
Conforming to all review criteria?	Yes	Yes

*Nursing hours per patient day.

PruittHealth

The following table:

- 1) Compares the proposal submitted by PruittHealth with the proposal submitted by the approved application, Liberty; and
- 2) Illustrates (bolded metrics) the reasons the approved application is a more effective alternative than the proposal submitted by PruittHealth.

Note: The comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

Comparative Factor	Liberty	Pruitt Health
Geographic distribution of beds	Most Effective	Effective
% of private rooms	51.0%	64.0%
Medicaid access	78.0%	69.8%
Private pay charge-private room	\$213.50	\$173.69
Private pay charge-semi-private room	\$196.00	\$168.69
Average operating cost per diem (total direct - ancillary + indirect)	\$188.63	\$212.51
Salaries RN	\$62,358	\$69,411
LPN	\$53,102	\$55,167
Aide	\$27,027	\$27,198
DON	\$90,247	\$96,527
ADON	NA	\$76,143
Taxes and benefits	22.3%	23.4%
NHPPD*	4.06	3.99
Licensed NHPPD*	1.41	1.58
Conforming to all review criteria?	Yes	No

*Nursing hours per patient day.

CONCLUSION

Each application is individually conforming to the need determination in the 2013 SMFP for 90 new nursing care beds in Chatham County. However, N.C.G.S. 131E-183 (a)(1) states that the need determination in the SMFP is the determinative limit on the number of nursing care beds that can be approved by the Certificate of Need Section. The Certificate of Need Section determined that the application submitted by **Liberty** is the most effective alternative proposed in this review for the development of 90 new nursing care beds in Chatham County and is approved as conditioned below. Therefore, the proposals submitted by the other applicants are denied.

The application submitted by **Liberty** is approved subject to the following conditions.

- 1. Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee) shall materially comply with all representations made in the certificate of need application.**
- 2. Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee) shall develop a new nursing home facility with no more than 90 licensed nursing care beds upon completion of the project.**
- 3. Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee) shall receive the Medicaid per diem reimbursement rates allowed by the Division of Medical Assistance, under the NC State Plan Section .0102.**
- 4. Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee) shall file the proposed budget for the facility with the Division of Medical Assistance no later than thirty days prior to the prospective certification date of the new beds.**
- 5. The additional nursing care beds shall not be certified for participation in the Medicaid program prior to October 1, 2016 unless the Division of Medical Assistance determines that state funds are available in the current Medicaid budget to pay for the care and authorizes an earlier certification date.**
- 6. For the first two full federal fiscal years of operation following completion of the project, Chatham County Rehabilitation Center's 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 in the certificate of need application.**

- 7. Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee) shall 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 applicants' representation in the written statement as described in paragraph one of Policy GEN-4.**

- 8. Liberty Healthcare Properties of Chatham County, LLC (lessor) and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC d/b/a Chatham County Rehabilitation Center (lessee) 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.**