

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: July 31, 2014

PROJECT ANALYST: Mike McKillip

TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: F-10290-14 / Aldersgate United Methodist Retirement Community, Inc. / Add 16 adult care home beds to the existing continuing care retirement community for a total of 61 adult care home beds, pursuant to Policy LTC-1 / Mecklenburg County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, Aldersgate United Methodist Retirement Community, Inc. [**Aldersgate**], a continuing care retirement community (CCRC), proposes to add 16 adult care home beds to its existing 45-bed adult care home facility, Cuthbertson Village, for a total of 61 adult care home beds.

There are no need determinations in the 2014 State Medical Facilities Plan (SMFP) applicable to the review of this proposal. However, because Aldersgate is a CCRC and is applying to add adult care home beds, Policy LTC-1 is applicable to this review. Also, because Aldersgate is proposing a capital expenditure that is greater than \$2 million, Policy GEN-4 is applicable to this review. Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities - Adult Care Home Beds, states:

“Qualified continuing care retirement communities may include from the outset, or add or convert bed capacity for adult care without regard to the adult care home bed need shown in Chapter 11: Adult Care Homes. To qualify for such exemption,

applications for certificates of need shall show that the proposed adult care home bed capacity:

- (1) Will only be developed concurrently with, or subsequent to construction on the same site, of independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages, and rooms;*
- (2) Will provide for the provision of nursing services, medical services, or other health related services as required for licensure by the N.C. Department of Insurance.*
- (3) Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing unit or adult care unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.*
- (4) Reflects the number of adult care home beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care, after making use of all feasible alternatives to institutional adult care home care.*
- (5) Will not be certified for participation in the Medicaid program or serve State-County Special Assistance recipients.”*

With respect to conformance with the above requirements, in Section III.4, pages 51-52, the applicant states:

“The proposed project involves the development of 16 memory support adult care home beds for the exclusive use of residents of the continuing care retirement community as specified by Policy LTC-1.

The proposed additional adult care home beds will be developed subsequent to construction on the same site of independent living accommodations for residents able to carry out normal activities of daily living without assistance. As described in Section I.12, Aldersgate currently operates 250 independent living units (apartments and homes/cottages) as a licensed CCRC on the same site as the proposed adult care home beds. ... The proposed project will provide for the provision of nursing services, medical services, or other health related services as required for licensure

by the North Carolina Department of Insurance. ... The proposed additional adult care home beds will be used exclusively to meet the needs of persons with whom the facility has continuing care contracts and who have lived in a non-nursing or adult care unit of the CCRC community for a period of at least 30 days, except as otherwise provided under Policy LTC-1. ... The proposed additional adult care home beds are needed to meet the current and projected needs of residents who have continuing care retirement contracts with Aldersgate. As noted in Section III.1, the need for the project stems from the community's inability to care for the growing number of residents that need additional supportive care. ... The proposed additional 16 memory support adult care home beds will not participate in the Medicaid program or serve state or county special assistant recipients."

The applicant adequately demonstrates conformance with the requirements of Policy LTC-1.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities states:

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

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

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section III.4, pages 54-55, the applicant states:

"Aldersgate will develop and implement an Energy Efficient and Sustainability Plan that conforms to or exceeds energy efficiency and water conservation standards in the latest editions of the North Carolina State Building Codes. If approved,

Aldersgate plans to implement several techniques and policies to maintain efficient energy and water use. Specifically, Aldersgate will utilize:

- *Energy Star rated appliance*
- *Water saving plumbing fixtures*
- *High efficiency HVAC systems*
- *Compact fluorescent and LED lighting*
- *Electronic file storage*
- *Active energy use monitoring by staff*
- *Motion sensor switches on lighting in offices, conference rooms, utility and activity rooms, and other spaces where appropriate*
- *Thermal pane windows*
- *Thermal break window sashes*
- *Appropriate use of deciduous trees around buildings to create seasonal shading*
- *Photovoltaic cells for exterior building and site lighting*
- *Natural lighting through the use of strategically designed windows and solar tubes*
- *Locally source construction and building materials.*

Prior to completion, Aldersgate will implement Energy Efficiency and Sustainability plans, policies, and guidelines for staff to follow, further ensuring continuous energy/water use monitoring and awareness.”

The applicant adequately demonstrates conformance with the requirements of Policy GEN-4.

In summary, the application is consistent with Policy LTC-1 and Policy GEN-4, and the application is conforming to this criterion.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

The applicant, Aldersgate, a continuing care retirement community (CCRC), proposes to add 16 adult care home beds to its existing 45-bed adult care home facility, Cuthbertson Village, for a total of 61 adult care home beds. The applicant proposes to develop a 10,000-square foot addition to the existing Cuthbertson Village facility, which is located at 3800 Shamrock Drive in Charlotte (Mecklenburg County).

Population to be Served

In Section III.6, page 56, the applicant states that all of the patients projected to be served will be admitted from the CCRC's independent living units. Therefore, the applicant states 100 percent of the patients will originate from Mecklenburg County. The applicant adequately identified the population proposed to be served.

Need for the Project

In Section III.1(a) of the application, the applicant describes the factors supporting the need for the proposed project, including the historically high occupancy rates in the CCRC's independent living units, and the planned addition of 71 new independent living units, which will increase the CCRC's total independent living units from 250 to 321 (page 40-42), projected population increases in the 65 and over population segment in Mecklenburg County and the increasing prevalence of dementia related diseases (pages 42-43), and the historically high occupancy rates in the existing 45-bed "memory support" adult care home beds at Cuthbertson Village (pages 44-46).

In Section IV.1, page 62, the applicant provides the projected utilization of the adult care home beds at Cuthbertson Village through the first three full fiscal years of operation following completion of the project. The applicants' projected patient discharges, average length of stay (ALOS), and total patient days for the adult psychiatric beds is summarized below:

Aldersgate (Cuthbertson Village)
Projected Adult Care Home Bed Utilization, FY2017 – FY2019

Year	Licensed ACH Beds	Total Patient Days	Percent Change	Average Occupancy Rate
FY2017	61	20,553	---	92%
FY2018	61	21,535	4.8%	97%
FY2019	61	21,535	0.0%	97%

In Section IV.2, pages 59-62, the applicant describes the assumptions and methodology used to project the utilization of the adult care home beds at Cuthbertson Village through the first three full fiscal years of operation as follows:

"The net average fill-up rate of four patients per month is assumed. This fill-up rate is consistent with Aldersgate's experience operating adult care home beds and with the pace at which potential patients and their families make these long term and non-urgent decisions. This assumed fill-up rate is also supported by the existing demand for memory support adult care beds at Aldersgate and the projected increase in demand

The previous nine month patient day volume was used to calculate the historical occupancy rate for the memory support adult care home beds (patient days/day in

quarter/number of beds). This occupancy rate of the nine month period from July 2013 to March 2014 was 96.4 percent. This historical occupancy rate corresponds to an average daily census (ADC) of 43 patients. To ensure that future projections were conservative and reasonable, historical occupancy rates and average daily census were used as the basis for projecting occupancy in the first three year following completion of the proposed project.

Projected patient days for the existing and new memory support adult care home beds were calculated by multiplying the historical ADC by the projected operational days within the period. The 45 existing memory support adult care home beds are assumed to have an ADC of 43 patients as was the experience in the most recent nine months (at the time of preparation of this application). Thus, the existing memory support adult care home beds are estimated to annually generate 15,695 patient days in each of the first three full years following completion of the proposed project (15,695 patient days = 43 patients x 365 days).

The projected patient days for the proposed 16 additional memory support adult care home beds are based initially on the assumed fill-up during the first full federal year. As stated in Section XII, the proposed opening date of the new memory support adult care home beds is October 1, 2016. Therefore, the 16 additional memory support adult care home beds will be operational for the full 12 months of federal fiscal year 2017 (from October 1, 2016 to September 30, 2017, or 365 days). Given the significant level of demand that already exists, it is assumed that four residents will move-in per month during the first four months of operation, at a rate of one patient per week (as discussed above in response to 2.(c)). Based on the methodology described above, the additional 16 memory support adult care home beds are projected to generate 4,858 patient days in federal fiscal year 2017 and 5,840 patient days in each subsequent full federal fiscal year.”

In Section IV.1, page 59, the applicant provides a table showing the utilization of the existing ACH beds at Cuthbertson Village during the nine months preceding submission of the application, which is summarized below:

Historical ACH Bed Utilization, July 2013 – March 2014

Month	Licensed ACH Beds	Total Patient Days	Average Occupancy Rate
July 2013	45	1,317	94%
August 2013	45	1,390	100%
September 2013	45	1,288	95%
October 2013	45	1,293	93%
November 2013	45	1,274	94%
December 2013	45	1,364	98%
January 2014	45	1,342	96%
February 2014	45	1,246	99%
March 2014	45	1,376	99%
Totals	45	11,890	96%

As shown above, the existing adult care home beds at Cuthbertson Village have operated at an average occupancy rate of 96 percent during the nine months preceding submission of the application. The applicant’s projected annual utilization for the adult care home beds is consistent with the applicant’s historical experience, and is supported by the planned addition of 71 independent living units to the existing CCRC, as well as the projected population growth in the over-65 population segment the applicant’s proposed service area. The projected utilization of the adult care home beds at Cuthbertson Village is based on reasonable, credible and adequately supported assumptions. Aldersgate adequately demonstrates the need for the proposed project.

Access

In accordance with the requirements of Policy LTC-1, the applicant states the proposed new ACH beds will be used exclusively to meet the needs of people with whom the facility has continuing care contracts and will not be certified for participation in the Medicaid program or serve State-County Special Assistance recipients.

In summary, the applicant adequately identified the population to be served, and adequately demonstrated the need the population projected to be served has for the proposed project. Therefore, the application is conforming to this criterion.

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

NA

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

CA

In Section III.2, pages 48-50, the applicant discusses the alternatives considered prior to the submission of this application, which include:

1. Maintain the Status Quo – The applicant concluded that this alternative is less effective and unacceptable because Cuthbertson Village’s existing adult care home beds have been operating at 96 percent of capacity. Therefore, without the proposed additional beds, residents would be required to remain in their current accommodations with home care services or be transferred off campus to another facility, neither of which is a good alternative.
2. Develop a Replacement Facility – The applicant concluded that this alternative is less cost-effective because the cost of a replacement facility is much greater than the proposed addition, and the existing facility is well-designed to accommodate an expansion like the one proposed in this application.

After considering those alternatives, the applicant states the alternative represented in the application is the most effective alternative.

Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant adequately demonstrates that the proposal is the least costly or most effective alternative to meet the identified need. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

- 1. Aldersgate United Methodist Retirement Community, Inc. shall materially comply with all representations made in the certificate of need application.**
- 2. Aldersgate United Methodist Retirement Community, Inc. shall develop and operate no more than 16 additional adult care home (ACH) beds for a total of no more than 61 adult care home beds at the Cuthbertson Village facility.**
- 3. The 16 new ACH beds shall not be certified for participation in the Medicaid program or participate in the state or county special assistance programs.**
- 4. The 16 new ACH beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the**

nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.

5. Aldersgate United Methodist Retirement Community, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.

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

C

In Section VIII.1, page 95, the applicant projects the capital cost of the project to be \$4,137,525. In Section VIII.2, page 96, the applicant states the project will be financed with proceeds from a bond issue. In Section XI.1, page 100, the applicant projects no start-up expenses or initial operating expenses.

Exhibit 11 contains a letter dated May 15, 2014, from the Managing Director-Healthcare Finance Head for BB&T Capital Markets, which states:

“Please accept this letter as a statement of our interest in and tentative commitment to providing financing for Aldersgate United Methodist Retirement Community, Inc.’s memory support adult care home expansion project. We understand the total estimated project cost would be approximately \$4,137,525 to include any financing costs. We understand that Aldersgate United Methodist Retirement Community, Inc. expects to issue tax-exempt bonds to finance this project as well as the cost associated with the financing of the project. ... Financing will be accomplished via fixed or variable tax-exempt bonds.”

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

In the pro forma financial statements for Aldersgate (Form B), the applicant projects revenues will exceed expenses in the second and third operating years following completion of the project, as shown below:

Aldersgate United Methodist Retirement Community

	FFY2017	FFY2018	FFY2019
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	Year 1	Year 2	Year 3
Total Revenue	\$33,170,440	\$37,714,912	\$37,714,912
Total Expenses	\$33,852,164	\$35,684,378	\$35,650,550
Net Income (Loss)	(\$681,724)	\$2,030,534	\$2,064,362

Operating costs and revenues are based on reasonable assumptions including projected utilization. See the pro forma financial statements in the application for the assumptions. See Criterion (3) for discussion regarding utilization assumptions which is incorporated hereby as if set forth fully herein. The applicant adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues, and the application is conforming with this criterion.

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

C

The applicant is proposing to add 16 adult care home beds to its existing 45-bed adult care home facility, Cuthbertson Village, for a total of 61 adult care home beds. The proposed beds will serve only the residents of Aldersgate, a continuing care retirement community. The applicant adequately demonstrates the proposal is consistent with Policy LTC-1 in the 2014 SMFP. Further, the applicant adequately demonstrates the need the population to be served has for 16 additional ACH beds. See Criteria (1) and (3) for discussion of the need for the proposed 16 beds which is incorporated hereby as if set forth fully herein. Consequently, the applicant adequately demonstrates that the proposed project will not unnecessarily duplicate existing or approved health service capabilities or facilities. Therefore, the application is conforming with this criterion.

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

C

In Section VII.4, page 89, the applicant projects direct patient care staff hours per patient day, as shown in the table below.

Direct Care Staff Hours per Patient Day

Adult Care Home Memory Support	Direct Care
A. Number of FTEs from Table VII.3	32.2
B. Number of nursing hours per year per FTE*	2,015
C. Total direct care hours per year (A X B)	64,883
D. Number of resident days from Table IV.2	21,535
Direct care hours per patient day	3.01

*The applicant projects that nurse aides will work 7.75 hours per day (7.75 X 5 days per week X 52 weeks = 2,015 hours).

In Section VII.2, page 81, the applicant projects the direct patient care staff by shift for the ACH facility, as shown in the following table.

Direct Care Staff per Shift

Day Shift	FTEs
ACH (Memory Support)	8
Evening Shift	
ACH (Memory Support)	8
Night Shift	
ACH (Memory Support)	7
Total	23

Adequate costs for the health manpower and management positions proposed by the applicant in Section VII.2 and Table VII.3 are budgeted in the pro forma financial statements. In Section VII.6, pages 90-92, the applicant describes its recruitment and retention procedures, and indicate that they do not anticipate any difficulties identifying, hiring, and retaining qualified staff for the proposed project. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services. 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

Exhibit 5 contains copies of agreements for the provision of physician services, mental health services, podiatry services, rehabilitation services, dietitian services, pharmaceutical services, laboratory services, and diagnostic radiology services. The applicant adequately demonstrates that it 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 with this criterion.

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

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The

availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to locate the 16 additional ACH beds in a 10,000 square foot addition to the existing Cuthbertson Village facility. Exhibit 18 of the application contains a copy of a letter from an architect which projects the total site preparation costs for the proposed addition will be \$308,363, and total construction costs for the addition will be \$2,015,040, which is consistent the capital cost projections provided by the applicant in Section VIII.1, page 94. In Section XI.14, pages 120-121, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. See discussion in Criterion (5) regarding costs and charges which is incorporated hereby as if set forth fully herein.

The applicant adequately demonstrated that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. 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

Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to use the ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days. The Policy also prohibits the applicant from participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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

Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to use the ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days. The Policy also prohibits the applicant from participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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

NA

Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to use the ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days. The Policy also prohibits the applicant from participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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.

NA

Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to use the ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days.

- (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

Exhibit 7 contains copies of letters from Aldersgate to area health professional training programs, including Queens University of Charlotte, Central Piedmont Community College, and Pfeiffer University, expressing the applicant's willingness to enter into an agreement to serve as a training site. The applicant adequately demonstrated that the facility will continue to accommodate the clinical needs of area health professional training programs. Therefore, the application is conforming with this criterion.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

NA

Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to use the ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

According to the files in the Adult Care Licensure Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision, for which any

sanctions or penalties related to quality of care were imposed by the State on the facility. Therefore, the application is conforming with this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The proposal is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services in 10A NCAC 14C Section .1100, as indicated below.

SECTION .1100 - CRITERIA AND STANDARDS FOR NURSING FACILITY SERVICES or ADULT CARE HOME SERVICES

.1101 INFORMATION REQUIRED OF APPLICANT

- (a) *An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*
- C- In Section IV.2, pages 60-62, Aldersgate provides the assumptions, methodology, and occupancy projections for the first twelve calendar quarters following completion of the proposed project.
- (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- The applicant projects patient origin by county of residence and provides the assumptions and methodologies used to make the projections in Section III. 7, pages 56-57.
- (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- In Section II.1, pages 19-20, the applicant states that, as a CCRC, all of the patients will be residents of Aldersgate, and will live within a 45 miles radius of the facility.
- (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 alternate 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.*
- NA- The applicant does not propose to establish a new nursing facility.
- (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.*
- NA- The applicant does not propose to establish a new nursing facility.
- (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- In Section II.1, page 21, the applicant states that the proposed facility will conform with all requirements as stated in 10A NCAC 13F. Also, Exhibit 4 contains a copy of a letter from an architect which states the proposed addition will meet these requirements.

.1102 PERFORMANCE STANDARDS

- (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- The applicant is not proposing to add nursing facility beds.

(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.*

-NA- The applicant is not proposing to add nursing facility beds.

(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.*

-C- In Section VI.1, page 59, the applicant states that the average occupancy of the 45 existing ACH beds at Cuthbertson Village during the past nine months was 96%.

(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 stated.*

-C- In Section VI.2, pages 60-62, the applicant projects the occupancy rate to be 97% for the 61 ACH beds at Cuthbertson Village (45 existing + 16 proposed = 61] by the second year of operation, and provides the assumptions and methodology for these projections.