

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: November 26, 2014
PROJECT ANALYST: Gregory F. Yakaboski
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: J-10302-14 / Universal Properties/Wake, LLC (lessor), Universal Health Care/Fuquay Varina, Inc. (lessee), Universal Properties/Nash, LLC (lessor), and Universal Health Care/Nashville, Inc. (lessee)/ Relocate 31 nursing facility beds from Universal Health Care/Nashville, Inc. to Universal Health Care/Fuquay Varina for a total of 100 nursing facility beds at Universal Health Care/Fuquay Varina/ Wake County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

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The applicants for this proposed project are Universal Properties/Wake, LLC (lessor), Universal Health Care/Fuquay Varina, Inc. (lessee), Universal Properties/Nash, LLC (lessor), and Universal Health Care/Nashville, Inc. (lessee). The applicants may be referred to collectively as the applicants or individually by name. The nursing facility in Wake County known as Universal Health Care/ Fuquay Varina, Inc. shall be referred to as UHC/Fuquay Varina. The nursing facility in Nash County known as Universal Health Care/Nashville, Inc. shall be referred to as UHC/Nash.

In this application, the applicants propose to relocate 31 existing NF beds from UHC/ Nash located in Nash County to the existing UHC/ Fuquay Varina facility located in Wake County. Upon completion of the proposed project and Project ID # J-10303-14 (relocate 31 ACH beds from UHC/ Fuquay Varina to the Litchford Assisted Living facility) the UHC/ Fuquay Varina facility will have 100 NF beds.

The proposal in this application is part of a larger project involving six related facilities (five existing facilities and one new proposed replacement facility) to relocate existing or approved adult care home (ACH) beds and nursing facility (NF) beds to create six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. (See application pages 1-3) Ultimately, all of the facilities and applicants are controlled by the same owner. The overall project is illustrated in the table below:

EXISTING

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Falls Healthcare & Rehabilitation Center	Wake	24	90
UHC/Fuquay-Varina	Wake	31	69
UHC/North Raleigh	Wake	20	112
UHC/Nashville	Nash	122	60
UHC/Oxford	Granville	20	160

PROPOSED

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Assisted Living (renamed from Litchford Falls Healthcare & Rehabilitation Center)	Wake	75	0
UHC/Fuquay-Varina	Wake	0	100
UHC/North Raleigh	Wake	0	132
UHC/Wake Forest *	Wake	0	119
UHC/Nashville	Nash	122	0
UHC/Oxford	Granville	20	140

*The new replacement facility

The applicants concurrently submitted four separate CON applications in order to create six single service (either only ACH beds or only NF beds) facilities from five existing combination facilities. The four applications submitted are:

- Project ID # J-10301-14-relocate 20 NF beds from Nash County to Wake County.
- Project ID # J-10302-14- relocate 31 NF beds from Nash County to Wake County. **(this application)**
- Project ID # J-10303-14 – relocate 51 existing or approved ACH beds within Wake County.
- Project ID # J-10308-14- develop a new replacement NF bed facility within Wake County by relocating 90 NF beds within Wake County and relocating 29 NF beds from Nash and Granville counties to Wake County.

UHC/Nash's 31 existing NF beds are all listed in the inventory of NF beds in Chapter 10, Table 10A, of the 2014 State Medical Facilities Plan ("2014 SMFP").

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2014 SMFP. However, the following policy is applicable:

- Policy NH-6: Relocation of Nursing Facility Beds

Policy NH-6: Relocation of Nursing Facility Beds states:

"Relocations of existing licensed nursing facility beds are allowed only within the host county and to contiguous counties currently served by the facility, except as provided in Policies NH-4, NH-5 and NH-7. Certificate of need applicants proposing to relocate licensed nursing facility beds to contiguous counties shall:

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

The applicants are proposing to relocate 31 NF beds from Nash County to Wake County which is contiguous to Nash County. Table 10B: *Nursing Care Bed Need Projections for 2017* of the 2014 SMFP, pages 210-211, states that Wake County has a deficit of 544 NF beds and that Nash County has a surplus of 88 NF beds. In this particular application the applicants propose to relocate 31 NF beds from Nash County to Wake County. Overall, as shown above, if this project and Project ID's #: J-10301-14 (transfer 20 NF beds from Nash County to Wake County) and J-10308-14 (transfer 9 NF beds from Nash County and 20 NF beds from Granville County to Wake County) are approved, a total of 80 NF beds would be relocated from Nash and Granville Counties to Wake County. If all three projects are approved, the projects would result in reducing the deficit in Wake County from 544 to 464 [544-80=464] NF beds, reducing the surplus in Nash County from 88 NF beds to 28 NF beds [88-60=28] and reducing the surplus in Granville County from 22 NF beds to 2 NF beds [22-20=2]. The proposed project will not result in a deficit in the number of nursing facility beds in the county that would be losing nursing facility beds (Nash County) nor will it result in a surplus of licensed nursing facility beds in the county that would be gaining nursing facility beds (Wake County).

The application is consistent with Policy NH-6.

In summary, the application is conforming to all applicable policies in the 2014 SMFP. Therefore, the application is conforming to this criterion.

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

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In this application, the applicants propose to relocate 31 existing NF beds from UHC/ Nash located in Nash County to the existing UHC/ Fuquay Varina facility located in Wake County. Upon completion of the proposed project and Project ID # J-10303-14 (relocate 31 ACH beds from UHC/ Fuquay Varina to the Litchford Assisted Living facility) the UHC/ Fuquay Varina facility will have 100 NF beds.

The proposal in this application is part of a larger project involving six related facilities (five existing facilities and one new proposed replacement facility) to relocate existing or approved adult care home (ACH) beds and nursing facility (NF) beds to create six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. (See application pages 1-3) Ultimately, all of the facilities and applicants are controlled by the same owner. The overall project is illustrated in the table below:

EXISTING

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Falls Healthcare & Rehabilitation Center	Wake	24	90
UHC/Fuquay-Varina	Wake	31	69
UHC/North Raleigh	Wake	20	112
UHC/Nashville	Nash	122	60
UHC/Oxford	Granville	20	160

PROPOSED

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Assisted Living (renamed from Litchford Falls Healthcare & Rehabilitation Center)	Wake	75	0
UHC/Fuquay-Varina	Wake	0	100
UHC/North Raleigh	Wake	0	132
UHC/Wake Forest *	Wake	0	119
UHC/Nashville	Nash	122	0
UHC/Oxford	Granville	20	140

*The new replacement facility

The applicants concurrently submitted four separate CON applications in order to create six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. The four applications submitted are:

- Project ID # J-10301-14-relocate 20 NF beds from Nash County to Wake County.
- Project ID # J-10302-14- relocate 31 NF beds from Nash County to Wake County. **(this application)**
- Project ID # J-10303-14 – relocate 51 existing or approved ACH beds within Wake County.
- Project ID # J-10308-14- develop a new replacement NF bed facility within Wake County by relocating 90 NF beds within Wake County and relocating 29 NF beds from Nash and Granville counties to Wake County.

Population to be Served

In Section III.8, pages 50, the applicants provide current nursing facility patient origin for UHC/Fuquay Varina and UHC/Nash, as shown in the table below.

County	UHC/Fuquay Varina	UHC/Nash
Wake	80.5%	2.0%
Nash	0.0%	59.0%
Franklin	0.0%	6.0%
Halifax	0.0%	14.0%
Johnston	0.0%	0.5%
Durham	1.4%	0.0%
Edgecombe	0.0%	7.0%
Brunswick	1.4%	0.0%
Lenoir	1.4%	1.0%
Alamance	1.4%	0.0%
Carteret	1.4%	0.0%
Harnett	9.7%	0.0%
Northampton	0.0%	1.0%
Warren	0.0%	1.5%
Wayne	0.0%	0.5%
Wilson	0.0%	9.5%
Others: (Cumberland)	2.8%	-
Total	100.0%	100.0%

In Section III.9, page 51, the applicants provide projected patient origin for the NF beds located at UHC/Fuquay Varina for the first full federal fiscal year following completion of the proposed project, as shown in the table below.

Projected % of Total NF Residents

County	UHC/Fuquay Varina
Wake	56.0%
Nash	17.5%
Harnett	6.5%
Halifax	4.5%
Wilson	3.0%
Edgecombe	2.0%
Franklin	2.0%
Lenoir	1.5%
Durham	1.0%
Brunswick	1.0%
Alamance	1.0%
Carteret	1.0%
Northampton	0.5%
Warren	0.5%
Others (Cumberland)	2.0%
Total	100.0%

On pages 51-52, the applicants identify the assumptions used to project the patient origin percentages:

- The historical utilization patterns of UHC/Fuquay Varina and UHC/Nash.

- Due to the high demand of Wake County’s residents for additional NF beds, UHC/Fuquay Varina anticipates that most new residents will be from Wake County.
- The 2014 SMFP shows a deficit of 544 NF beds in Wake County. UHC/Fuquay Varina is an existing facility.
- There is also an excellent highway system available in Nash County (ie 64 connecting to I-540 or I-40).
- The projected utilization combines the two facilities’ utilization data and incorporates both into one data projection based on current percentages.

The applicants adequately identified the population to be served.

Need Analysis

In Section III.1, page 41, and supplemental information, the applicants state the need to relocate 31 NF beds from UHC/Nash to UHC/Fuquay Varina.

In Section III.1, page 41, the applicants state Universal has determined that a facility with one level of care:

- leads to better patient care than a combination facility,
- is more economically efficient. (See also page 46.)

The 2014 SMFP shows an 88 NF bed surplus in Nash County and a 544 NF bed deficit in Wake County. (See application page 41.)

In supplemental information, the applicants state

“As noted above, the development of this project is tied in with the transfer of 31 ACH beds from Universal/Fuquay Varina to Litchford Falls Health and Rehabilitation for a renovated 75 bed ACH facility, which is the subject of a separate CON application. However, it is also tied in with the development of two other CON applications, to:

- A. Transfer 20 NF beds from Universal/Nash for a total of 132 NF beds at Universal/North Raleigh; and*
- B. Construct a new 119-bed nursing facility (Universal/Wake Forest) by relocating 90 NF beds from Litchford Falls, 9 NF beds from Universal Health Care/ Nash, and 20 NF beds from Universal Health Care/Oxford.”*

Ultimately, all of the facilities and applicants are controlled by the same owner. The applicants further state in supplemental information:

“The need for all four projects are related in the following ways:

- A. *Policy NH-6 allows for the relocation of NF beds within the host county and to contiguous counties currently served by the facility, under certain circumstances, which allows for Universal Health Care to implement a plan that will meet the needs of residents in Wake County by transferring beds from adjacent Nash and Granville Counties. The 2014 State Medical Facilities Plan (“SMFP”) shows a surplus of 88 nursing beds in Nash County, a surplus of 21 [22] nursing beds in Granville County, and a deficit of 544 nursing beds in Wake County. Wake County is one of the fastest growing counties in the country. The increase in population will mandate that more services be provided. Utilizing Policy NH-6 allows Universal Health Care the opportunity to both meet the NF bed need within Wake County without materially impacting residents of Nash and Granville Counties in need of nursing services, and without reducing the number of ACH beds in Wake County.*
- B. *Relocating NF and ACH beds in this manner will allow Universal to upgrade its present facilities in order to optimize efficiencies, providing a more suitable environment for its residents in facilities with a single level of care. In this regard, while there are nursing facilities which also have some ACH beds, Universal is finding that this configuration is not optimal in its Wake County facilities. By statutory definition, a nursing home provides care for persons who have ailments for which medical and nursing care are indicated. Conversely, while adult care homes may provide residents assistance with medication and other activities of daily living, those residents are healthier and more self-supporting. The benefits of a single-level facility include:*
- Costs can be spread over a larger number of beds coupled with the fact that only one level of service will be offered in each facility.*
 - Assisted living residents do not prefer to be intermingled with nursing residents, a situation with [sic] this proposal eliminates.*
 - Increases the number of private beds available to Wake County residents.*
 - Makes services more readily available to the disadvantaged.”*

After providing the need overview, in the supplemental information, the applicants specifically address the current UHC/ Fuquay Varina facility as follows:

“Universal/Fuquay Varina

Universal/Fuquay Varina’s proposed bed reconfiguration will help the facility achieve maximum efficiencies. Upon completion of the project, Universal/Fuquay Varina will be comprised of 100 nursing beds. The addition of these 31 nursing beds will help meet the need for beds in this region of Wake County. The facility will improve its efficiencies by operating as a 100 bed nursing facility with a single level of care. The present structure is very inefficient at 69 nursing beds and 31 assisted living beds.

Patient Days	988	1,386	1,557	1,739	1,860	1,794	1,828	1,787	1,970
# of Beds	69	69	69	69	69	69	69	69	69
Occupancy Rate	51.14%	64.80%	75.22%	81.30%	89.86%	83.87%	85.46%	86.33%	92.10%

As shown above, the occupancy rate for the most recent month, October 2014, was 92.10% after being 51.14% in February 2014. In Section II, page 16, the applicants state that the low occupancy rate in the beginning of 2014 was *“due to the fact that this is a new building that did not receive Medicare and Medicaid certification until late January 2014.”*

In addition, the applicants cite the following factors in support of projected utilization:

- The calculation begins with 94% occupancy of the 69 existing NF beds (65 patients) and after that the fill up rate is 4 residents per week to 95%.
- The 2014 SMFP shows a deficit of 544 NF beds in Wake County in 2017.
- Wake population growth. Wake County’s total population is projected to grow from 2010 to 2015 by 16.5%.
- The location of the UHC/Fuquay Varina facility can be easily reached within 45 minutes driving time from almost any part of Wake County due to an excellent road system. (See application page 52)
- Using the formula in the SMFP to determine bed need and the projected Wake County population by township shows a deficit of 99 NF beds in the areas of Southern Wake County served by UHC/Fuquay Varina. See table on page 42. (See application pages 41-43.)
- The administrator of UHC/Fuquay Varina states that as of October 3, 2014, *“At the present time, there are approximately 30 people on a waiting list for admission to a skilled nursing bed at Universal Healthcare Fuquay/Varina.”*

Access

On page 65 of the application the applicants state *“All services provided by Universal Health Care/ Fuquay Varina for the 100 beds will be non-restrictive [in] relation to low-income persons, social, racial and ethnic minorities, women, handicapped persons, private pay, Medicare and Medicaid beneficiaries, uninsured indigent persons.”* UHC/Fuquay Varina is designed to be “barrier free” to accommodate the needs of the handicapped population. (See application page 64)

In Section III, page 46, Section VI, page 64, and supplemental information, the applicants state that *“Universal Health Care is to serve 82% of its total patient days to Medicare, Medicaid & Hospice.”* On page 44 the applicants state that Ms. Link stated *“Universal has a good track record for offering Medicaid beds to the residents of Wake County”*. Ms. Link is identified as the Ombudsman for the Triangle J Council of Governments. On page 65, the

applicant states that it does not anticipate any resident will need to be transferred from UHC/Fuquay Varina because of the “spending down” of private funds. The applicants intend to have all 100 NF beds Medicare and Medicaid certified. UHC/Fuquay Varina does not require payment upon admission for Medicare and Medicaid patients. (See application page 65)

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need to relocate the 31 existing NF beds from UHC/Nash to UHC/Fuquay Varina in Wake County, including the extent to which medically underserved groups are likely to have access to the proposed nursing facility 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 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.

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In this application, the applicants propose to relocate 31 existing NF beds from UHC/ Nash located in Nash County to the existing UHC/ Fuquay Varina facility located in Wake County. Upon completion of the proposed project and Project ID # J-10303-14 (relocate 31 ACH beds from UHC/ Fuquay Varina to the Litchford Assisted Living facility) the UHC/ Fuquay Varina facility will have 100 NF beds.

The proposal in this application is part of a larger project involving six related facilities (five existing facilities and one new proposed replacement facility) to relocate existing or approved adult care home (ACH) beds and nursing facility (NF) beds to create six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. (See application pages 1-3) Ultimately, all of the facilities and applicants are controlled by the same owner. The overall project is illustrated in the table below:

EXISTING

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Falls Healthcare &	Wake	24	90

Rehabilitation Center			
UHC/Fuquay-Varina	Wake	31	69
UHC/North Raleigh	Wake	20	112
UHC/Nashville	Nash	122	60
UHC/Oxford	Granville	20	160

PROPOSED

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Assisted Living (renamed from Litchford Falls Healthcare & Rehabilitation Center)	Wake	75	0
UHC/Fuquay-Varina	Wake	0	100
UHC/North Raleigh	Wake	0	132
UHC/Wake Forest *	Wake	0	119
UHC/Nashville	Nash	122	0
UHC/Oxford	Granville	20	140

*The new replacement facility

The applicants concurrently submitted four separate CON applications in order to create six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. The four applications submitted are:

- Project ID # J-10301-14-relocate 20 NF beds from Nash County to Wake County.
- Project ID # J-10302-14- relocate 31 NF beds from Nash County to Wake County. **(this application)**
- Project ID # J-10303-14 – relocate 51 existing or approved ACH beds within Wake County.
- Project ID # J-10308-14- develop a new replacement NF bed facility within Wake County by relocating 90 NF beds within Wake County and relocating 29 NF beds from Nash and Granville counties to Wake County.

Table 10B: *Nursing Care Bed Need Projections for 2017* of the 2014 SMFP, pages 210-211, states that Wake County has a deficit of 544 NF beds and that Nash County has a surplus of 88 NF beds. In this particular application the applicants propose to relocate 31 NF beds from Nash County to Wake County. Overall, as shown above, if this project and Project ID's #: J-10301-14 (transfer 20 NF beds from Nash County to Wake County) and J-10308-14 (transfer 9 NF beds from Nash County and 20 NF beds from Granville County to Wake County) are approved a total of 60 NF beds would be relocated from Nash County to Wake County and 20 NF beds would be relocated from Granville County to Wake County. If all three projects are approved, the projects would result in reducing the deficit in Wake County from 544 to 464 [544-80=464] NF beds and reducing the surplus in Nash County from 88 NF beds to 28 NF beds [88-60=28] and reducing the surplus in Granville County from 22 NF beds to 2 NF beds [22-20=2]. Nash County would still have a surplus of NF beds. Granville County would still have a surplus of NF beds.

In Section III.7, page 49, in describing plans for relocation of residents currently served, the applicants state, *“Universal will use its best efforts to accommodate the needs of its residents and their families. Universal will first offer to Universal Health Care/Nash NF residents the ability to transfer to Universal Health Care/Fuquay Varina’s NF beds. Should the residents or their families turn down the opportunity to be transferred to Fuquay Varina, Universal will attempt to relocate the residents within Nash County. Currently, Nash County has 40 empty NF beds.”*

The applicants state *“The current residents at Universal/ Nash will be given first priority for the 31 beds transferred to Universal/Fuquay Varina. The current Universal/Nash residents will be given first priority no matter their payment method, racial and ethnic minorities, handicapped persons and other underserved groups and elderly to obtain health services. ... Universal Health Care will assist the residents who elect not to be transferred from Universal/Nash to Universal/ Fuquay Varina facility with placement at the facility of their choice. In this regard, the CON Section has recently approved the application of South Village in Nash County to replace and relocate its outdated 100 NF-bed, 15 ACH bed facility to a newly constructed facility in Nash County. According to its 2014 License Renewal Application, South Villages 100 NF beds were only 80% occupied as of September 30, 2013. This new facility should provide an additional choice for Nash County residents.”* (See supplemental information.)

According to Map Quest, the distance from UHC/Nash to UHC/Fuquay Varina is approximately 62.35 miles and 63 minutes. Major transportation corridors connect UHC/Nash and UHC/Fuquay Varina. Thus, the replacement facility would be geographically accessible to the same population formerly served. Exhibit 11 contains a letter from the resident’s council of UHC/Nash which states *“The residents of Universal Healthcare-Nashville are in agreement with the proposed change to move the Skilled Nursing Facility beds to a different location.”*

In Section III, page 46, and in Section VI, page 64, the applicants state that *“Universal Health Care is to serve 82% of its total patient days to Medicare, Medicaid & Hospice.”* On page 44 the applicants state that Ms. Link stated *“Universal has a good track record for offering Medicaid beds to the residents of Wake County”*. Ms. Link is identified as the Ombudsman for the Triangle J Council of Governments.

The percentage of projected days as a percent of total days for the second full federal fiscal year (FFY 2017) following project completion is 76.0% Medicare/Medicaid, 18.0% private pay/commercial, and 6.0% Hospice. (See pages 64 of the application)

The applicants 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 would be adequately met following the relocation of the NF beds. Therefore, the application is conforming to this criterion.

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

NC

In Section III.2, pages 44-45, the applicants describe the alternatives considered, which include the following:

- Maintain the Status Quo- The applicants considered maintaining the status quo, however, the applicants concluded that there was an unmet need for 99 NF beds in the area served by UHC/Fuquay, the entire southern spectrum of Wake County. To do nothing would not allow the applicants to meet the needs of the population in need of the proposed services in Wake County or to improve the efficiencies of the facility by converting to a single service facility. Therefore, maintaining the status quo would not be the least costly and most effective alternative.
- Convert a portion of the existing 31 ACH Beds to NF beds – The applicants concluded that given the documented unmet need of the community for NF beds in the area serviced by UHC/Fuquay Varina and the improved efficiencies of operations that could be achieved by creating a facility with a single level of care, the proposal of converting only a portion of the existing 31 ACH beds to NF beds would not be the least costly and most effective alternative. Rather the least costly and most effective alternative is relocating 31 existing NF beds from UHC/Nash to UHC/Fuquay (and relocating the existing 31 ACH beds from UHC/Fuquay Varina to the Litchford facility in Project ID # J-10303-14.

However, the application is not conforming to all other applicable statutory and regulatory review criteria, and thus, is not approvable. See the *Criteria and Standards for Nursing Facility or Adult Care Home Facility Services*, promulgated in 10A NCAC 14C .1100. A project that cannot be approved is not an effective alternative.

Therefore, the applicants did not adequately demonstrate that the proposal is their least costly or most effective alternative to meet the stated need. Consequently, the application is nonconforming 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.

C

In Section VIII.1, page 81, the applicants project the total capital cost for the proposal will be \$47,000, which consists of consultant fees.

In Section VIII.2, page 82, the applicants indicate that the capital cost of the project will be financed by the owner's equity of Don and Vickie Beaver. In Section IX, pages 85-86 and

88, the applicants state that the working capital will be \$166,000 and that the working capital will be financed by the owner's equity of Don and Vickie Beaver.

Exhibit 16 contains a copy of a letter from the Senior Vice President of Wells Fargo, Commercial Banking in Hickory, NC which states:

"This letter is to confirm that Wells Fargo Bank, N.A. has examined the personal financial statements of Donald C. Beaver and Vickie L. Beaver with regard to the proposed certificate of need application being filed on June 16, 2014 for the transfer of the 31 skilled nursing beds (100 skilled nursing bed facility after the transfer) in Fuquay Varina, North Carolina.

We confirm to you that Mr. and Mrs. Beaver have a net worth over \$50,000,000.

Based on a review of their financial statements, they have more than enough funds to provide the proposed \$47,000 of owner's equity for this project."

Exhibit 16 also contains a letter from Donald and Vickie Loflin Beaver date June 11, 2014 that states:

"We hereby agree to provide working capital of \$250,000 to satisfy the CON requirement for a 31-bed conversion from ACH to NF beds at Fuquay-Varina."

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

In Section X, pages 94-95, the applicants project charges/rates for the first two operating years following completion of the project as shown below. The per diem private pay charge is projected to be \$205.00 for a private room and \$190.00 for a semi-private room in each of the first two full federal fiscal years.

Projected Per Diem Reimbursement Rates/Charges

	First FFY 2016		First FFY 2017	
	Private Room	Semi-Private Room	Private Room	Semi-Private Room
Private Pay	\$205.00	\$195.00	\$205.00	\$195.00
Commercial Rates	\$354.00	\$354.00	\$354.00	\$354.00

Medicare*	\$436.00	\$436.00	\$436.00	\$436.00
Medicaid	\$164.13	\$164.13	\$164.13	\$164.13
Other (Hospice)	\$164.13	\$164.13	\$164.13	\$164.13

*For Medicare: the charge reported in this table should be the weighted average of the facility's RUG rates.

Furthermore, in Form B of the proformas, pages 109-112, the applicants project that revenues will exceed operating costs in both the first and second full federal fiscal year following completion of the proposed project, as shown in the table below.

Net Income	1st Full FFY (2016)	2nd Full FFY (2017)
Total Revenue	\$7,854,889	\$7,839,131
Total Operating Expenses	\$7,419,303	\$7,391,709
Net Profit	\$435,586	\$447,422
Total Direct Cost/Patient Day*	\$142.12	\$141.54
Total Indirect Cost/ Patient Day*	\$73.87	\$71.85
Total Operating Expense/ Patient Day*	\$215.99	\$213.39

*See proforma's Form C

The applicants adequately demonstrate that projected revenues and operating costs are based on reasonable and adequately supported assumptions, including projected utilization. See discussion of projected utilization in Criteria (3) which is incorporated herein by reference.

In summary, the applicants adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, the application is conforming to this criterion.

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

C

In this application, the applicants propose to relocate 31 existing NF beds from the existing UHC/ Nash nursing facility located in Nash County to the existing UHC/ Fuquay Varina nursing facility located in Wake County. Upon completion of the proposed project and Project ID # J-10303-14 (relocate 31 ACH beds from UHC/ Fuquay Varina to the Litchford Assisted Living facility) the UHC/ Fuquay Varina facility will have 100 NF beds.

The applicants do not propose to offer any new services. The applicants' proposed project does propose an increase in NF beds in Wake County by 31 NF beds. Table 10B *Nursing Care Bed Need Projections*, of the 2014 SMFP, shows a deficit of 544 NF beds in Wake County in 2017. (See 2014 SMFP page 211.) The proposed project is estimated to be completed in April 2015. If approved, the project would reduce the NF bed deficit in Wake County from 544 NF beds to 513 NF beds.

In this particular application the applicants propose to relocate 31 NF beds from Nash County to Wake County. Overall, as shown above, if this project and Project ID's #: J-10301-14 (transfer 20 NF beds from Nash County to Wake County) and J-10308-14 (transfer 9 NF beds from Nash County to Wake County and transfer 20 NF beds from Granville County to Wake County) are approved a total of 60 NF beds would be relocated from Nash County to Wake County. If all three projects are approved, the projects would result in reducing the deficit in Wake County from 544 to 464 [544-80=464] NF beds, reducing the surplus in Nash County from 88 NF beds to 28 NF beds [88-60=28] and reducing the surplus in Granville County from 22 NF beds to 2 NF beds [22-20=2]. Wake County would still have a deficit of 464 NF beds upon completion of all the projects.

The applicants state that they contacted Ms. Goldman, Adult Program Supervisor for Wake County Department of Social Services, who stated that there was a geographical maldistribution of beds, with the need in the following areas: Wake Forest, Southern Wake (near Harnett County), Northern Wake and the Garner area. (See application page 44.) Exhibit 11 contains a letter from the resident council of UHC/North Raleigh which states *"We have been told that the company wishes to add 31 additional skilled nursing beds at the facility. We support the additional space and services that will be provide."* On page 46, the applicant states *"Universal Health Care's proposal is not a duplication of programs and services in Wake County, but rather provides services and programs that are currently needed by Wake County residents."*

Therefore, the applicants adequately demonstrated the proposed project will not result in the unnecessary duplication of existing or approved NF beds in Wake County. Consequently, the application is conforming to this criterion.

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

C

The applicants propose to provide direct care nursing staff twenty-four hours per day, seven days per week. On page 75, the applicants state that in the second full federal fiscal year there will be 61.6 direct care nursing staff full-time equivalent (FTE) positions (RN's-5.6; LPN's-14.0 and Aides-42.0) which equates to 3.54 nursing hours per patient day. In Section VII, pages 68-69, the applicants state that the UHC/Fuquay Varina currently has 74 FTE positions. In Section VII, pages 73-74, the applicants state that by FFY2017 (the second full federal fiscal year) the nursing facility will be staffed by 107.78 FTE positions. On pages 76-79, the applicants describe UHC/Fuquay Varina's staffing recruitment and retention plan. Exhibit 5 contains a letter from Mariyam Hussain, M.D., the current medical director, in which she states her support for the proposed project and states that she intends to continue to be the medical director of UHC/Fuquay Varina. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the 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

In Section II, pages 17-34, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers including dietary, medical transportation, dentistry, physician, therapy, recreation, psychological services, hospice, pastoral/chaplain, housekeeping and laundry services including a therapeutic activity program which is *“an individualized plan that provides tasks and opportunities for the resident... Activities are related to past lifestyle, habits, hobbies and work activities.”* UHC/Fuquay Varina is an existing nursing facility with existing contracts. See Exhibit 15 for copies of service contracts. Exhibit 13 contains copies of transfer agreements with Harnett Health System, WakeMed, and Rex Hospital. In Section V, pages 61-62, the applicants state *“As an existing facility, Universal Health Care/ Fuquay Varina has developed relationships with local physicians...has established relationships with local healthcare and social service providers.”* The applicants adequately demonstrate that 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 community. Therefore, the application is conforming to this criterion.

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

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

NA

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

C

In Section VI, page 63, the applicants provide the payor mix for nursing facility beds for February 1, 2013 to March 30, 2014, which is illustrated in the following table:

**Current Days as % of Total Days
February 1, 2014 – March 30, 2014
UHC/ Fuquay Varina**

Payor	Nursing Patients
Private Pay	37.5%
Commercial Insurance	13.5%
Medicare	46.0%
Medicaid	2.4%
County Assistance	0.0%
Other (Hospice)	0.7%

Total	100.0%
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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 Wake and Harnett counties and statewide.

County	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Wake	9.8%	3.3%	18.4%
Harnett	16.9%	6.2%	20.3%
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 services offered by the UHC/ Fuquay Varina and UHC/ Nash nursing facilities.

The DMA website also contains the *Medicaid Annual Report, for State Fiscal Year (SFY) 2008*, the most recent fiscal year for which this data are available. According to this report, the elderly and disabled Medicaid recipients in North Carolina comprised 29% of total Medicaid recipients. Additionally, there were 145,898 aged (age 65+) Medicaid recipients in SFY 2008, which comprised 8.5% of the total Medicaid eligibles in North Carolina [145,898 / 1,726,412 total eligibles = 0.0845]. In Harnett County, data is available for January-August CY 2013. The data shows that, for the first eight months of 2013, the aged comprised 6.8% of the total Medicaid eligibles in the County [5,822 aged / 85,175 total eligibles = 0.0684].

Medicaid Recipients by Eligibility category data compare North Carolina Medicaid recipients grouped by age for SFY 2008 with the general population of the entire state, as shown in the table below:

MEDICAID RECIPIENTS BY ELIGIBILITY CATEGORIES VS. GENERAL POPULATION SFY 2008		
ELIGIBILITY CATEGORY	MEDICAID RECIPIENT	GENERAL POPULATION
Children (aged 5 – 20 years)	38%	24%
Adults (aged 21-64 years)	31%	57%
Children (aged birth-4 years)	21%	7%
Elderly (aged 65 and older)	10%	12%

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 are 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 do not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicants adequately demonstrate that medically underserved populations have adequate access to the services provided at UHC/ Fuquay Varina. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

In Section VI.6, page 65, the applicants state

"There have been no civil rights access complaints filed against the existing facility."

The application is conforming to this criterion.

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

C

In Section VI, page 64, the applicants provide the projected payor mix for the second full federal fiscal year following completion of the project, October 1, 2016 to September 30, 2017, which is illustrated in the following table:

**Projected Days as % of Total Days
October 1, 2016-September 30, 2017
UHC/ Fuquay Varina**

Payor	Nursing Patients
Private Pay	14.0%
Commercial Insurance	4.0%
Medicare	16.0%
Medicaid	60.0%
Other (Hospice)	6.0%
Total	100.0%

The applicants demonstrate that medically underserved populations will continue to have adequate access to the nursing facility services provided by UHC/ Fuquay Varina. Therefore, 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

In Section VI.7, pages 66, the applicants state patients will have access to the services offered at UHC/ Fuquay Varina through the following referral sources:

- Physicians
- Hospitals
- Wake County Human Services
- Hospice
- Home Health Agencies
- Word of Mouth
- Health Department
- Alzheimer's Association

The applicants adequately demonstrate they offer a range of means by which residents will have access to the facility. Therefore, the application is conforming to this criterion.

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

C

In Section V.1, page 61, the applicants state that UHC/ Fuquay Varina has submitted a letter to the Dean of Nursing at Wake Tech Community College seeking to establish UHC/Fuquay Varina as a location for Wake Tech Community College's CNA and RN programs.

Exhibit 12 contains a copy of the letter to Wake Tech Community College’s Dean of Nursing.

The applicants adequately demonstrate that the facility would accommodate the clinical needs of area health professional training programs. Therefore, the application is conforming to this criterion.

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

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

C

In this application, the applicants propose to relocate 31 existing NF beds from UHC/ Nash located in Nash County to the existing UHC/ Fuquay Varina facility located in Wake County. Upon completion of the proposed project and Project ID # J-10303-14 (relocate 31 ACH beds from UHC/ Fuquay Varina to the Litchford Assisted Living facility) the UHC/ Fuquay Varina facility will have 100 NF beds.

The proposal in this application is part of a larger project involving six related facilities (five existing facilities and one new proposed replacement facility) to relocate existing or approved adult care home (ACH) beds and nursing facility (NF) beds to create six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. (See application pages 1-3) Ultimately, all of the facilities and applicants are controlled by the same owner. The overall project is illustrated in the table below:

EXISTING

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Falls Healthcare & Rehabilitation Center	Wake	24	90
UHC/Fuquay-Varina	Wake	31	69
UHC/North Raleigh	Wake	20	112
UHC/Nashville	Nash	122	60
UHC/Oxford	Granville	20	160

PROPOSED

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Assisted Living (renamed from Litchford Falls Healthcare & Rehabilitation Center)	Wake	75	0
UHC/Fuquay-Varina	Wake	0	100
UHC/North Raleigh	Wake	0	132
UHC/Wake Forest *	Wake	0	119
UHC/Nashville	Nash	122	0
UHC/Oxford	Granville	20	140

*The new replacement facility

The applicants concurrently submitted four separate CON applications in order to create six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. The four applications submitted are:

- Project ID # J-10301-14-relocate 20 NF beds from Nash County to Wake County.
- Project ID # J-10302-14- relocate 31 NF beds from Nash County to Wake County. **(this application)**
- Project ID # J-10303-14 – relocate 51 existing or approved ACH beds within Wake County.
- Project ID # J-10308-14- develop a new replacement NF facility within Wake County by relocating 90 NF beds within Wake County and relocating 29 NF beds from Nash and Granville counties to Wake County.

The applicants are proposing to relocate 31 NF beds from Nash County to Wake County which is contiguous to Nash County. Table 10B: *Nursing Care Bed Need Projections for 2017* of the 2014 SMFP, pages 210-211, states that Wake County has a deficit of 544 NF beds and that Nash County has a surplus of 88 NF beds. In this particular application the applicants propose to relocate 31 NF beds from Nash County to Wake County. Overall, as shown above, if this project and Project ID’s #: J-10301-14 (relocate 20 NF beds from Nash County to Wake County) and J-10308-14 (relocate 9 NF beds from Nash County to Wake County and relocate 20 NF beds from Granville County to Wake County) are approved a total of 60 NF beds would be relocated from Nash County to Wake County. If all three projects are approved, the projects would result in reducing the deficit in Wake County from 544 to 464 [544-80=464] NF beds, reducing the surplus in Nash County from 88 NF beds to 28 NF beds [88-60=28] and reducing the surplus in Granville County from 22 NF beds to 2 NF beds [22-20=2]. Nash and Granville Counties would still have a surplus of NF beds. Wake County would still have a deficit of NF beds.

In Section III, pages 46 and Section V.6, page 62, and supplemental information, the applicants discuss the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access to nursing facility services in Wake County.

See also Sections II, III, V, VI and VII and the supplemental information where the applicants discuss the impact of the project on cost-effectiveness, quality and access to the proposed services.

In supplemental information the applicants state *“Currently the facility has a waiting list of 30 individuals desiring placement... Competition will mandate that current facilities update their existing physical plants to include more private rooms and, if possible, the development of a neighborhood design within the existing structure. The addition of more private rooms and neighborhood designs has a positive impact on patient care and overall patient welfare creating improved quality of care. Cost-effectiveness is achieved by operating a more efficient facility whereby costs can be spread over a larger number of beds. Access is achieved by providing beds which to date are not available to the residents of Wake County.”*

The applicants adequately demonstrate that any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services based on the information in the application, supplemental information and the following analysis:

- The applicants adequately demonstrate the need to relocate 31 NF beds from UHC/Nash to UHC/Fuquay Varina. The applicants also demonstrate that the proposed project is a cost-effective alternative to meet the need to provide access to NF beds in Wake County. See the discussion of utilization in Criterion (3) which is incorporated herein by reference;
- The applicants adequately demonstrate they will continue to provide quality services. The information regarding staffing provided in Section VII is reasonable and credible and demonstrates adequate staffing for the provision of quality care services in accordance with 42 C.F.R., Section 494 (formerly 405.2100). The information regarding ancillary and support services and quality of care programs in Section II, pages 17-40, and coordination of services with the existing health care system in Section V, pages 61-62, and referenced Exhibits, is reasonable and credible and demonstrates the provision of quality care.
- The applicants adequately demonstrate they will continue to provide adequate access to medically underserved populations. The percentage of projected days as a percent of total days for the second full federal fiscal year (FFY 2017) following project completion is 76.0% Medicare/Medicaid, 18.0% private pay/commercial, and 6.0% Hospice. (See pages 64 of the application)

Therefore, the application is conforming with 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.

In Section I.12 page 12, the application states that none of the applicants currently own, lease, or manage any other nursing facilities but that the ultimate owner, Mr. Donald Beaver, does own 15 facilities in total in North Carolina which are set forth on page 12. The 15 facilities are managed by another of Mr. Beaver's companies, Choice Health Management Services, LLC

According to the Nursing Home Licensure and Certification Section, DHSR, during the 18 months immediately preceding the submittal of the application through the date of the decision there was one incident in one facility for which licensure penalties, suspension of admission, provisional licensure or certification deficiencies constituting substandard quality of care were imposed at the facilities listed in Section I, pages 12 of the application. (See also Section II, page 40) After reviewing and considering information provided by the applicants and by the Nursing Home Licensure and Certification Section, and considering the quality of care provided at all 15 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.

G.S. 131E-183(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.

NC

The application is not conforming to all applicable *Criteria and Standards for Nursing Facility or Adult Care Home Facility Services*, promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below.

.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.*

-NA- The applicants propose to relocate 31 existing NF beds.

(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.*

-NA- The applicants propose to relocate 31 existing NF beds.

- (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.*

-NA- The applicants propose to relocate 31 existing NF beds.

- (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 applicants propose to relocate 31 existing NF beds.

- (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 applicants propose to relocate 31 existing NF beds.

- (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.*

-NA- The applicants propose to relocate 31 existing NF beds.

.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.*

-NC- In supplemental information the applicants provide the average historical occupancy of the total number of licensed nursing facility beds operated at UHC/Fuquay Varina over the last nine months as illustrated in the table below.

UHC/Fuquay Varina: Historical Utilization- February 1, 2014 – October 31, 2014

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Total
Patient Days	988	1,386	1,557	1,739	1,860	1,794	1,828	1,787	1,970	14,909
# of Beds	69	69	69	69	69	69	69	69	69	69
Occupancy Rate	51.14%	64.80%	75.22%	81.30%	89.86%	83.87%	85.46%	86.33%	92.10%	79.15%

As shown in the table above, the average occupancy over the last nine months of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was 79.15% which is less than the required minimum of 90.0%. Therefore, the application is nonconforming with this rule.

(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- In Section IV, pages 56-57, the applicants state that projected occupancy at the end of both the first and second full federal fiscal year of operation is projected to be 95.0% for the total number of nursing facility beds proposed to be operated as illustrated in the table below. See discussion of utilization assumptions and methodology in Criterion (3) which is incorporated herein by reference.

**UHC/ Fuquay Varina
 Projected Utilization
 First Two Project Years (Oct. 1, 2015 – September 30, 2017)**

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
First Full Project Year (FFY2016)					
Pt. Days	8,740	8,645	8,645	8,740	34,770
# Beds	100	100	100	100	100
Occupancy	95.0%	95.0%	95.0%	95.0%	95.0%
Second Full Project Year (FFY2017)					
Pt. Days	8,740	8,550	8,645	8,740	34,675
# Beds	100	100	100	100	100
Occupancy	95.0%	95.0%	95.0%	95.0%	95.0%

(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- The applicants propose to relocate 31 existing NF beds.

- (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.*

-NA- The applicants propose to relocate 31 existing NF beds.