

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: September 5, 2014

PROJECT ANALYST: Jane Rhoe-Jones

TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: H-10297-14 / The Inn at Quail Haven Village / Convert 10 nursing facility beds to adult care home beds pursuant to Policy LTC-1 in the 2014 SMFP / Moore 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 applicants, Quail Haven Properties of Pinehurst, LLC and Quail Haven of Pinehurst, LLC propose to convert 10 nursing facility (NF) beds, licensed pursuant to Policy NH-2, to 10 adult care home (ACH) beds at The Inn at Quail Haven Village (The Inn). The Inn is a licensed nursing facility at Quail Haven Village, a continuing care retirement community (CCRC) in Pinehurst, Moore County. Quail Haven Village also has 94 independent living units.

The Inn was established in 1996, when it was licensed as an adult care home (ACH). ACHs were formerly known as homes for the aged or HA facilities. The Inn was licensed by the State of North Carolina as a nursing facility in 2002 and currently has 60 nursing facility (NF) beds. Quail Haven Village has been licensed as a CCRC since 1990 and has 94 independent living units in addition to The Inn. The table below summarizes the current and proposed number of independent living units and the NF beds before and after the proposed conversion of NF beds to ACH beds.

QUAIL HAVEN VILLAGE								
	Total # Current Units/Be ds	Existing # Independent Units	Existing # NF Beds	Existing # ACH Units/Beds	# NF Beds to Convert to ACH	# NF Beds after Conversion	# ACH Units/Beds after Conversion	Total # Units/Beds after Conversion
<b>The Village Apartments</b>		94						94
Dogwood	24							
Maple	2							
Peach	8							
Holly	32							
Magnolia	7							
Rose	1							
Oak	12							
Pine	7							
Willow	1							
<b>The Inn</b>								
NF "open" beds	35		35			35		35
NF "closed" beds	25		25		10	15		15
<b>ACH</b>				0			10	10
<b>Total</b>	<b>154</b>	<b>94</b>	<b>60</b>	<b>0</b>	<b>10</b>	<b>50</b>	<b>10</b>	<b>154</b>

"Open" = beds available to any member of the public. "Closed" = beds available exclusively to residents of the CCRC, with whom there is a continuing care contract.

There are no need determinations in the 2014 State Medical Facilities Plan (SMFP) applicable to the review of this proposal. However, because Quail Haven Village, a CCRC, is applying to convert NH beds to ACH beds; Policy LTC-1 on pages 30-31 of the SMFP is applicable to this review and is discussed as follows:

*"Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities - Adult Care Home Beds:*

*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 retirement community 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 participate in the Medicaid program or serve State-County Special Assistance recipients.*

*One half of the adult care home beds developed under this exemption shall be excluded from the inventory used to project adult care home bed need for the general population. Certificates of need issued under policies analogous to this policy in the North Carolina State Medical Facilities Plans subsequent to the North Carolina 2002 State Medical Facilities Plan are automatically amended to conform with the provisions of this policy at the effective date of this policy.”*

With respect to conformance with the above requirements for Policy LTC-1, in Section III.4, page 23, the applicants state:

*“... This proposal is consistent with this policy in that it:*

1. *Develops adult care home beds subsequently to the construction of independent living accommodations on the same site for people who are able to carry out normal activities of daily living;*
2. *Quail Haven will also provide nursing services, medical services, and other health related services as required for licensure by the North Carolina Department of Insurance. There will be fifty (50) skilled nursing beds in Quail Haven post-project completion (25 [sic] of which will be “closed” beds reserved exclusively for residents of the Quail Haven community) and home care, hospice, and other services are and will be provided to residents of Quail Haven;*
3. *These ACH beds will be used exclusively to meet the needs of Quail Haven residents with whom Quail Haven has continuing care contracts and who have lived in a non-nursing unit or adult care unit of the CCRC for a period of at least 30 days;*
4. *Liberty’s experience in operating Quail Haven over the past year has led operations leadership to determine that ten (10) ACH beds will be sufficient to meet the current and projected needs of the CCRC for ACH care. All other alternatives to institutional adult care home care have been exhausted.*
5. *These beds will not participate in the Medicaid program or serve State-County Special Assistance recipients.”*

The applicants adequately demonstrate conformance of the proposed project with Policy LTC-1. Therefore, the applicants are conforming to the applicable policies in the 2014 SMFP and thus are conforming to this criterion.

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

### C

The applicants, Quail Haven Properties of Pinehurst, LLC and Quail Haven of Pinehurst, LLC propose to convert 10 nursing facility (NF) beds, licensed pursuant to Policy NH-2, to 10 adult care home (ACH) beds at The Inn. The Inn is a licensed nursing facility at Quail Haven Village, a continuing care retirement community (CCRC) in Pinehurst, Moore County. Quail Haven Village also has 94 independent living units. Policy NH-2 and Policy LTC-I beds are to be solely used for residents of CCRCs with whom there are continuing care contracts. In Section III, pages 20 and 23, the applicants state that the 10 converted ACH beds will be available exclusively to persons with a continuing care contract with Quail Haven Village.

#### Population to Be Served

In Section III.9, page 27, the applicants provide a table showing that all of the proposed residents of The Inn are and will continue to be residents of Moore County. The applicants state:

*“The beds that will be converted currently are, and will continue to be, used exclusively to meet the needs of the residents of Quail Haven CCRC and will not be available to the general public. Thus, all residents will originate from Moore County.”*

The applicants further state:

*“100% of the population to be served following the completion of this project will come from the Quail Haven campus and thus, will be within a 45 minute/mile driving time.”*

As shown in the table below, the applicants’ 2014 License Renewal Application (LRA) provides data that 94% of its FFY 2013 nursing home bed residents were from Moore County.

Nursing Home Patient Origin FFY 2013		
County of Origin	# Patients	% Patients
Moore	201	93.9%
Brunswick	1	0.5%
Chatham	1	0.5%
Hoke	2	0.9%
Montgomery	2	0.9%
Richmond	1	0.5%
Robeson	2	0.9%
Scotland	1	0.5%
Wake	1	0.5%
Out of State	2	0.9%
<b>Total</b>	<b>214</b>	<b>100%</b>

The applicants adequately identify the population to be served.

Need for Proposed Services

The applicants state in Section III.1, page 20-21:

*“... the current licensed bed complement is not adequately meeting the needs of the community residents. ... the absence of any licensed adult care beds has left a gap in the continuum of care services that should be present in a Continuing Care Retirement Community (CCRC). Because of this lack of beds, residents needing assisted living level care have no choice but to leave the community and receive care elsewhere. Similarly, Quail Haven regularly loses referrals when patients needing assisted living care are being discharged from the hospital. A CCRC should provide all levels of post-acute care so that residents who move into the community as an Independent Living resident will be able to age in place and have all his or her care needs available and provided on site.*

...

*While Home Care has afforded residents the opportunity to live in their apartments by meeting ‘schedulable’ needs such as assistance with medication reminders, bathing and some dressing assistance, it is not able to meet the needs of individuals whose care has progressed to include ‘un-schedulable’ needs because of memory impairment or more moderate to extensive physical assistance needed regularly throughout the day. In addition we have individuals who are inquiring about independent living apartments but whose spouse needs affordable assisted living or would need it within the next year or so. ...”*

In Section III.1, page 21, the applicants provide additional information as justification to support its proposal to convert 10 closed NF beds to ACH beds. The applicants state:

*“Quail Haven regularly operates with a census of 50 or fewer skilled nursing residents. This facility has been in operation for a number of years and has reached stabilized capacity. Therefore Liberty is confident that 50 NF beds are all that is*

*needed to meet the needs of its community residents and the public residents it serves. Currently Quail Haven has 5 residents paying privately for skilled nursing care but in fact only require the care provided in an ACH setting. Several independent living residents are either close to needing ACH care or have a spouse that is currently in need of ACH care. These residents have notified the administration that they do not wish to leave the community, but have little choice without ACH beds at Quail Haven.*

*Over the last three years nearly one in every four move outs (deaths, transfers, or relocations) from Quail Haven have been due to lack of available ACH beds. In 2011, six of the twenty-two move outs (27%) were due to, in whole or part, the lack of ACH beds. In 2012 five out of nineteen (26%) move outs were due to lack of ACH beds, and in 2013 five out of twenty-one (24%) move outs were due to lack of ACH beds. ... over the last three years Quail Haven has lost at least sixteen residents (more if the move out was a married couple) from its community because of its inability to provide a true continuum of care onsite. Quail Haven also loses prospective residents because of the lack of ACH beds, although specific numbers are not available.*

*“The 25 [sic] ‘open’ beds, ten of which are proposed to be converted to ACH, have remained below 50% occupied for the first five months of this year.”* Note: In clarifying information, the applicants state that the proposed conversion beds are from ‘closed’ beds.

In a chart on page 21, the applicants provide the following historical utilization of the 25 “closed” NF beds for the five months immediately preceding submission of the application:

THE INN AT QUAIL HAVEN VILLAGE – NF Historical Utilization January-May 2014*								
CLOSED SNF (25)	Available Days	Medicare Days	Private Days	Total Days	ADC	Medicare Occupancy	Private Occupancy	Total Occupancy
Jan	775	41	279	320	10.3	12.8%	87.2%	41.3%
Feb	700	73	204	277	9.9	26.4%	73.6%	39.6%
Mar	775	130	171	301	9.7	43.2%	56.8%	38.8%
Apr	750	148	195	343	11.4	43.1%	56.9%	45.7%
May	775	109	233	342	11.0	31.9%	68.1%	44.1%

The applicants state no Medicaid days.

The 2014 SMFP shows a surplus of 13 ACH beds in the Moore County need projections for 2017. The applicants provide the following occupancy information on page 24 of its application for the existing ACH facilities in Moore County.

Moore County ACH Facilities	FFY 2013 Occupancy
Carolina House of Pinehurst	68%
Elmcroft of Southern Pines*	79%
Fox Hollow Senior Living Community*	93%

Kingswood Nursing Center**	42%
Magnolia Gardens	87%
Peak Resources – Pinelake**	92%
Penick Village**	34%
Seven Lakes Assisted Living	42%
Tara Plantation of Carthage	88%
The Coventry	70%

Note: Data source is 2014 LRAs. \*Occupancy data using days of care for Elmcroft of Southern Pines & Fox Hollow Senior Living Community not provided in 2014 LRAs. Used census instead. \*\*Combination NF/ACH facilities.

As the table above illustrates, five of the 10 adult care facilities are operating at 75% occupancy or higher. Only three of the facilities reported occupancy rates below 45%. The average ACH occupancy in Moore County was 75% in FFY 2013.

However, regardless of the occupancy of existing facilities providing ACH beds in Moore County, the applicants base the need for the conversion of its NF beds to ACH beds on its internal need to serve its current and future CCRC residents.

Projected Utilization

In Section IV.2(c), page 30, the applicants provide the following projected utilization for the ACH beds:

<b>THE INN - PROJECTED ACH UTILIZATION</b>					
<b>October 1, 2015 – September 30, 2016</b>					
	<b>1<sup>st</sup> Quarter 10/1-12/31</b>	<b>2<sup>nd</sup> Quarter 1/1-3/31</b>	<b>3<sup>rd</sup> Quarter 4/1-6/30</b>	<b>4<sup>th</sup> Quarter 7/1-9/30</b>	<b>TOTAL</b>
ACH Beds	10	10	10	10	10
Patient Days	737	810	819	828	3,194
<b>Occupancy Rate</b>	<b>80%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>88%</b>
<b>October 1, 2016 – September 30, 2017</b>					
ACH Beds	10	10	10	10	10
Patient Days	828	810	819	828	3,285
<b>Occupancy Rate</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>

As shown in the table above, the applicants project an occupancy rate of 88% and 90% for ACH beds at The Inn by the end of the first and second full federal fiscal years, respectively, following completion of the project. These projected occupancy levels exceed the performance standard in 10A NCAC 14C .1102 *Criteria and Standards for Nursing Facility Services or Adult Care Home Services*.

The applicants’ projected utilization is based on reasonable, credible and adequately supported assumptions, as stated on pages 20-27 of the application. Thus, the applicants document the need for the proposed ACH beds to meet the internal long-term care needs of existing and prospective residents of The Inn based on Policy LTC-1.

Access

As described in Criterion (1) above and in conformance with Policy LTC-1, the applicants propose converting NF beds at the CCRC to ACH beds. In Section III.4, page 23, the applicants state how the proposed project is consistent with Policy LTC-1. See Criterion (1) for discussion of consistency with Policy LTC-1 which is hereby incorporated by reference as if set forth fully herein.

The applicants adequately demonstrate they will provide access to their services in conformance with Policy LTC-1.

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need the population to be served has for the proposed project and demonstrate the proposed population will have adequate access to the services. Therefore, the application is conforming to this criterion.

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

NA

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

C

In Section III.2, page 22, the applicants discuss the alternatives considered prior to submission of this application, which include:

1. Maintain the status quo – the applicants state that they found this option unacceptable because it is not fully meeting the needs of their residents; which is not in the best interest of their residents.
2. Add ACH beds and maintain 60 NF beds – consistently the facility has ten or more empty resident rooms due to NF beds that are not utilized. The applicants do not feel it would be fiscally responsible to spend hundreds of thousands of dollars to construct a new wing when surplus NF beds exist.
3. Convert 10 NF beds to ACH beds – the applicants consider this the best alternative as it does not require any capital expenditure; which in turn will not negatively impact resident rates. Further, the rooms will be utilized and ACH level care can be provided to residents who need it.

The applicants state that they chose the proposed option because it is fiscally prudent, and makes better use of existing facilities. The applicants further state that the proposed option yields more efficient utilization of staff in a consolidated ACH and nursing facility. Thus, the



applicants adequately demonstrate that the proposed alternative is the most effective or least costly 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 applicants adequately demonstrate that their proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

- 1. Quail Haven Properties of Pinehurst, LLC and Quail Haven of Pinehurst, LLC shall materially comply with all representations made in their certificate of need application and the clarifying information received July 2, 2014, August 26, 2014 and August 29, 2014. In those instances where representations conflict, the applicants shall materially comply with the last made representation.**
  - 2. Quail Haven Properties of Pinehurst, LLC and Quail Haven of Pinehurst, LLC shall develop no more than 10 adult care home beds for a total of 10 ACH beds upon completion of the project.**
  - 3. Quail Haven Properties of Pinehurst, LLC and Quail Haven of Pinehurst, LLC shall decertify 10 NF beds for a total of no more than 50 NF beds upon project completion.**
  - 4. The 10 ACH beds shall not be certified for participation in the Medicaid program or participate in the state or county special assistance programs.**
  - 5. The 10 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.**
  - 6. The 10 ACH beds shall be developed on the same site with the nursing facility beds.**
  - 7. Quail Haven Properties of Pinehurst, LLC and Quail Haven of Pinehurst, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial

feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.1, page 52, the applicants project no capital costs for the project.

Per the application, the converted units will also conform to all requirements in *10A NCAC 13D Rules and Statutes for the Licensing of Nursing Homes and Home for Aged Beds When Licensed as Part of a Nursing Home and GS Chapter 131 E, Article 6, Part A; Nursing Home Licensure Act*. In Section I, page 14, the applicants state:

*“The facility is an existing, licensed facility and as such is in compliance with 10A NCAC 13D and GS Chapter 131E, Article 6, Part A.”*

In Section IX.1-4, pages 56-57, the applicants state there will be no start-up and initial operating expenses required for the project.

Exhibit 15 contains the five-year financial forecast statements for Quail Haven of Pinehurst, LLC for the years ending December 31, 2018, 2017, 2016, 2015 and 2014. For December 31, 2014, the applicants forecast cash in the amount of \$215,000, total current assets of \$724,000 and total net assets of \$271,000 (total assets – total liabilities). For December 31, 2018, the applicants forecast cash in the amount of \$265,000, total current assets of \$836,000 and total net assets of \$1,608,000 (total assets – total liabilities). On August 26, 2014, the applicants provided historical pro forma reports in response to the agency request for clarifying information. As of April 30, 2014 (the applicants acquired the CCRC in November 2013), the applicants state having cash in the amount of \$104,607, total current assets of \$223,036 and total net assets of \$718,272 (total assets – total liabilities).

On page 77, the applicants provide a summary of forecast assumptions and on pages 78-92, the applicants provide pro forma financial statements. The applicants’ project revenues will exceed operating expenses in each of the first two operating years of the project, as illustrated below in the table.

<b>THE INN ACH Beds</b>	<b>Project Year 1 10/01/2015- 9/30/2016</b>	<b>Project Year 2 10/01/2016-9/30/2017</b>
Projected # of Patient Days	3,194	3,285
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)	196.67	196.67
Gross Patient Revenue	628,164	646,061
Deductions from Gross Patient Revenue	0	0
Net Patient Revenue	628,164	646,061
Total Expenses	595,326	602,267
Net Income	32,838	43,794

In Section X, pages 64-65, The Inn proposes ACH private-pay charges of \$196.67 per day for each year. The assumptions used by the applicants in preparation of the pro forma

financial statements are reasonable, including projected utilization, costs and charges. See Section X, pages 64-65, pages 77-92 and Exhibit 15 for the assumptions regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is hereby incorporated by reference as if set forth fully herein. The applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, the application is conforming to this criterion.

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

C

The applicants propose to convert 10 NF beds to 10 ACH beds. The proposed beds will serve only the residents of Quail Haven Village, a continuing care retirement community. The applicants adequately demonstrate the proposal is consistent with Policy LTC-1 in the 2014 SMFP. Further, the applicants adequately demonstrate the need the population to be served has for 10 ACH beds. See Criteria (1) and (3) for discussion of the need for the proposed 10 beds. Consequently, the applicants adequately demonstrate that the proposed project will not unnecessarily duplicate existing or approved health service capabilities or facilities. Therefore, the application is conforming to this criterion.

- (7) The applicants 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.2 (a), page 44, and Section VII.3, pages 46-48 the applicants project the direct patient care staff by shift for the ACH facility in the second full fiscal year, as shown in the following table:

<b>THE INN</b>	
<b>ACH Beds (no special care unit) Direct Care Staff Per Shift PY2</b>	<b>Direct Care FTEs</b>
LPNs	
Day Shift	.34
Evening Shift	.32
Night Shift	.32
<b>Total LPNs Per Day</b>	<b>.98</b>
AIDES	
Day Shift	1.19
Evening Shift	.93
Night Shift	.68
<b>Total AIDES Per Day</b>	<b>2.80</b>
<b>TOTAL LPNs &amp; AIDES PER DAY</b>	<b>3.78</b>

In Section VII.4 (a), page 49, for Project Year (PY) two (second full federal fiscal year); the applicants project direct care nursing staff hours per patient day, as shown below in the table.

<b>THE INN ACH</b>		
<b>Direct Care Nursing Staff Hours</b>		
<b>Direct Care Staff</b>	<b>FTEs</b>	<b>Hours</b>
FTEs (1.38 LPNs & 3.93 Aides)	5.31	
Direct care hours per year per LPN FTE		2,080
Direct care hours per year per LPN TOTAL		2,870
Direct care hours per year per AIDE FTE		1,950
Direct care hours per year per AIDE TOTAL		7,664
Direct care hours per year LPN & AIDE		10,534
Patient days per year		3,285
<b>Direct care hours per patient day</b>		<b>3.21</b>

In Section VII.3, page 45, the applicants provide the following assumptions for projecting staffing for the NF/ACH facility:

- *“NC regulations concerning the staffing of nursing facilities;*
- *The applicants’ experience operating Quail Haven; and*
- *Certified Nursing Aides, Dietary Aides, Housekeeping Aides, Laundry Aides, and Janitors are calculated based on 7.5 hours per day or 1,950 hours per year per FTE. All other positions are calculated based on 8 hours per day or 2,080 hours per year per FTE.”*

Dr. W. Ward Patrick serves as the medical director. Exhibit 8 contains a copy of the agreement between Dr. Patrick and Quail Haven Village.

The applicants propose an adequate budget for the health manpower and management positions proposed in Sections VII.2, Tables VII.3 and VII.4, pages 46-49. The fiscal assumptions and budget are found in pro forma financial statements on pages 77-92 and in historical financial statements the applicants provides as supplemental data on August 26, 2014. Thus, the applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. Therefore, the application is conforming to this criterion.

- (8) The applicants 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 applicants shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

Exhibit 8 contains agreements with various healthcare providers to include: the medical director, dental care, podiatry, hospice services, physical, speech, and occupational therapies, durable medical equipment and medical supplies, hospital laboratory services, behavioral health services, and mobile diagnostic services.

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 system. Therefore, the application is conforming to this criterion.

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

NA

- (10) When applicable, the applicants shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicants 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 applicants 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 applicants 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 applicants 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 applicants to exclusively meet the needs of people with whom the facility has continuing care contracts and who have lived at Quail Haven Village for at least 30 days. The policy also prohibits 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 applicants;

NA

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

- (d) That the applicants 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 applicants to exclusively meet the needs of people with whom the facility has continuing care contracts and who have lived at Quail Haven

Village for at least 30 days. The policy also prohibits participation in the Medicaid program and serving State-County Special Assistance recipients.

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

C

Exhibit 12 contains the agreement between Quail Haven Village and Sandhills Community College for The Inn to serve as a clinical training site for the college's nursing and nursing assistant programs. The applicants demonstrate that the proposed health services will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
- (18a) The applicants 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 applicants 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 applicants to exclusively meet the needs of people with whom the facility has continuing care contracts and who have lived at Quail Haven Village for at least 30 days. The policy also prohibits participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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 Nursing Home Licensure and Certification Section, DHSR, within the 18 months immediately preceding the date of this decision, there were no incidents for which suspension of admissions, provisional license, or certification deficiencies that would constitute substandard quality of care were imposed on The Inn. After reviewing and considering the information provided by the applicants and by the Nursing Home Licensure

and Certification Section, the applicants have provided evidence that quality care has been provided in the past and demonstrated that there is no pattern of substandard quality of care. Therefore, the application is conforming to this criterion

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

C

The proposal is conforming to 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 APPLICANTS**

- (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 30-31, the applicants provide assumptions and project the occupancy levels for the first eight quarters of the 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- In Section III.8 and III.9, pages 26-27, the applicants project patient origin by county of residence and provide the assumptions and methodologies used to make the projections.
- (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 III.10, page 27, the applicants state that all of the patients will be residents of Quail Haven Village and thus live within a 45 mile radius of the proposed 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 applicants, the applicants 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 convert 10 NF beds into 10 ACH beds in the existing NF.
  
- (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 convert 10 NF beds into 10 ACH beds in the existing NF.
  
- (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 I, page 14, the applicants state: “*The facility is an existing, licensed facility and as such is in compliance with 10A NCAC 13D and G.S. Chapter 131 E, Article 6, Part A.*”

#### **.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 applicants are 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 applicants are 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.*

-NA- The applicants do not currently have ACH 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.*

-C- In Section IV.2, pages 30-31, the applicants project the occupancy rate to be 88% during the first full year of operation and 90% during the second full year of operation. The applicants provide the assumptions and methodology for these projections in Section III, pages 20-21.