

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 10, 2015

Findings Date: April 10, 2015

Project Analyst: Kim Randolph

Assistant Chief: Martha J. Frisone

Project ID #: G-10372-15

Facility: Bermuda Village Health Center

FID #: 932966

County: Davie

Applicant: Batangas Consulting, Inc.

Project: Construct addition and renovate existing facility in order to add 12 nursing facility beds

### 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

Bermuda Village Health Center (Bermuda Village) proposes construction of an addition to add 12 nursing facility beds for a total of 15 nursing facility beds upon completion of the project. The applicant is also planning to renovate space shared by nursing facility and adult care home beds. Bermuda Village is located at 142 Bermuda Village Drive, Bermuda Run, Davie County.

The 2015 State Medical Facilities Plan (2015 SMFP) identifies an adjusted need determination for 12 nursing facility beds in Davie County. One application for 12 beds was submitted to the Healthcare Planning and Certificate of Need Section. The applicant proposes to

develop no more than 12 nursing facility beds. Thus, the proposed project is consistent with the adjusted need determination in the 2015 SMFP.

Additionally, there are three 2015 SMFP policies applicable to this review: NH-8, GEN-3, and GEN-4. The applicant's conformity with these policies is briefly described below.

### **Policy NH-8**

Policy NH-8: Innovations in Nursing Facility Design states

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

In Section III.4, pages 58-59, the applicant describes how it believes its proposal pursues innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents. The information provided by the applicant is reasonable and adequately supports the determination that the proposal is consistent with Policy NH-8.

### **Policy GEN-3**

Policy GEN-3: Basic Principles states

*“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”*

The applicant describes how it believes its proposal will promote safety and quality in Section II.2, pages 20-28, Section II.5, pages 31-33, Section II.6, page 35, Section III.1, page 42, Section III.2, pages 51-53, Section III.4, pages 60-61, and Section V.6, page 87. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal will promote safety and quality.

The applicant describes how it believes its proposal will promote equitable access in Section III.4, pages 62-63, Section VI, pages 88-92, and Section V.6, page 87. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal will promote equitable access.

The applicant describes how it believes its proposal will maximize health care value for resources expended in Section III.2, pages 51-54, Section III.4, page 63, Section V.6, page 87, Section IV, page 71, Section X, pages 129-131, Section XI.13, page 147 and the applicant's pro forma financial statements. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal will maximize health care value for resources expended.

The applicant adequately demonstrates how its projected volumes incorporate these concepts in meeting the need identified in the 2015 SMFP. Therefore, the application is conforming with Policy GEN-3.

#### **Policy GEN-4**

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

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

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

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

In Section III.4, page 65 and Exhibit 19, the applicant adequately describe the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is conforming with Policy GEN-4.

**Summary**

The application is conforming to the adjusted need determination in the 2015 SMFP for 12 nursing facility beds in Davie County and is conforming with Policy NH-8, Policy GEN-3 and Policy GEN-4. Therefore, the application is conforming with this criterion.

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

**C**

Bermuda Village proposes construction of an addition to add 12 nursing facility beds pursuant to an adjusted need determination in the 2015 SMFP for 12 nursing facility beds in Davie County. Bermuda Village will have a total of 15 nursing facility beds and 21 adult care home beds upon completion of the project. The applicant also plans to renovate space shared by nursing facility and adult care home beds.

**Population to be Served**

In Section III, page 68, the applicant provides the historical patient origin and the projected patient origin for Bermuda Village, as shown in the table below.

**Bermuda Village Patient Origin**

County	FFY 2014*		Projected FFY 2017	
	# of Patients as Percent of Total		# of Patients as Percent of Total	
	NF Beds	ACH Beds	NF Beds	ACH Beds
Davie	78.1%	85.5%	93.0%	85.5%
Forsyth	9.4%	10.9%	7.0%	10.9%
Surry	3.1%	3.6%	0.0%	0.0%
Yadkin	6.3%	0.0%	0.0%	0.0%
Out of State	3.1%	0.0%	0.0%	0.0%
Other **	0.0%	0.0%	0.0%	3.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Note: In the application, FY indicates a fiscal year starting on October 1 and ending on September 30. The Project Analyst uses FFY throughout the Findings to denote the same time period.

\*\* The applicant states “Other” may include Yadkin and Surry counties.

On page 69, the applicant states the projected patients and admissions are based on historical experience over the last five years. The applicant states most nursing facility residents will originate from within the Bermuda Village Retirement Community and from Davie County. The applicant states it will actively seek to fill its beds with Davie County residents. The applicant adequately identifies the population to be served by the proposed project.

### **Analysis of Need**

In Section III.1, page 36, the applicant states the following factors justify the need for this project.

- 2015 SMFP adjusted need determination (pp. 36-38)
- Patient choice and operating efficiency (pp. 38-39)
- Bermuda Village Retirement Community- Health Center need (p. 39)
- Community members identified need (p. 39)
- Aging Davie County population (p. 40)
- Medicaid services (p. 41)
- Private bed need identified in Davie County (pp. 41-42)
- Healthcare system transitions and reduction of hospital readmissions (pp. 42-43)
- Need based on location and availability of existing services and population growth (pp. 43-46)

Each factor is summarized below.

#### **2015 SMFP Adjusted Need Determination**

On pages 36-37, the applicant states it submitted a petition for an adjusted need determination in Davie County. The petition was approved and an adjusted need determination for 12 nursing facility beds located in Davie County was included in the 2015 SMFP. The applicant states Davie County has three nursing facilities and a total of 216 licensed nursing facility beds. The applicant states the basis for its petition was that one of the facilities in Davie County, Bermuda Commons Nursing and Rehabilitation Center (Bermuda Commons), reported a year-end occupancy rate of between 77-81% over the last several years. The applicant indicated Bermuda Commons has 117 total beds but consistently had a maximum of 90-95 patients since most of their beds are semi-private.

Additionally, the applicant indicated that based on information submitted by facilities in the 2014 License Renewal Applications (LRAs), Davie County residents made up only 53 percent of nursing facility admissions in Davie County. On page 38, the applicant indicated that because of a shortage of available beds, 188 Davie County residents, or 34% of Davie County residents admitted to nursing facilities, received care outside of Davie County.

**Patient Choice and Operating Efficiency**

On page 38, the applicant states that having available beds increases the efficiency of patient placement, fosters competition and enables patient choice. The applicant also states it is important to have high occupancy levels to sustain efficient operation. On page 39, the applicant states that when the nursing bed need methodology in Davie County is adjusted to include a 90% target occupancy, the adjusted need determination is justified as shown on page 49.

**Bermuda Village Retirement Community – Health Center Need**

On page 39, the applicant states the Bermuda Village Health Center, which is located on the retirement community campus, needs more nursing facility beds. The three current nursing facility beds are almost always full. The applicant states that to determine future need at Bermuda Village, it applied the 2015 SMFP methodology to its retirement community population and determined the need for 15 nursing facility beds in 2015, based on the independent living population’s use rate.

**Community Members Identified Need**

On page 39 the applicant states that approximately 70 letters of support were received from local representatives, physicians, and community members in support of the initial petition to the SHCC for the 12 bed need determination. See Exhibits 17 and 24.

**Aging Davie County Population**

On page 40, the applicant states Davie County has a larger population of older residents than the rest of the state. The applicant states that according to the North Carolina Office of State Budget and Management (OSBM), Davie County’s population age 65 or older will increase by 15% between 2014 and 2019.

<b>Population - Davie County</b>	<b>2014</b>	<b>2019</b>	<b>Increase</b>
Age 65 or older	7,732	8,878	1,146

The applicant states that since nursing facility utilization increases with age, adding 1,146 individuals, age 65 or older, to Davie County within the next five years will increase the demand for nursing facility beds.

**Medicaid Services**

On page 41, the applicant states that with the growing demand from the adjacent Bermuda Village Retirement Community and only three nursing facility beds, it has not been able to admit Medicaid beneficiaries. The applicant states that adding 12 additional nursing facility beds will provide capacity to meet the increasing need for nursing care services in Davie County. The applicant states that 27% of Davie County Medicaid beneficiaries admitted to nursing facilities were admitted to facilities outside Davie County, according to the 2014 Nursing Home LRAs as shown below.

	<b>Medicaid Admissions Outside County of Origin</b>	<b>Total Medicaid Admissions</b>	<b>% of Total</b>
Davie County	73	274	27%
Statewide	12,387	54,851	23%

**Private Bed Need Identified in Davie County**

On page 41, the applicant states private rooms are part of a national movement to improve the quality of nursing facility care. Upon completion of the proposed project, the applicant will have 13 private nursing facility beds, with one room designed as semi-private to accommodate couples.

**Healthcare System Transitions and Reduction of Hospital Readmissions**

On page 42, the applicant discusses its commitment to integrating care with hospitals and physicians to decrease hospital readmissions.

**Need Based on Location and Availability of Existing Services and Population Growth**

On pages 43-46, the applicant discusses the location of the facility in relationship to the current and projected nursing facility bed availability and need in Davie County. The applicant states the greatest need for nursing facility beds in 2018 will be in the eastern part of the county, where the applicant’s facility is located.

Bermuda Village adequately demonstrates the need for 12 additional nursing facility beds.

*Projected Utilization*

In Section IV.2, pages 77-78, the applicant provides projected utilization for the first two full federal fiscal years (FFYs) of operation. In Section IV.2, pages 74-75, the applicant provides the methodology and assumptions used to project utilization.

Projected utilization for the second FFY of operation is shown in the table below.

<b>Projected Utilization Year 2 10/01/17 - 09/30/18</b>	<b>Total Utilization</b>
<b>Nursing Facility Beds*</b>	
Patient Days	5,110
Occupancy Rate	93%
Number of Beds	15
Available Bed Days	5,475
<b>Adult Care Home Beds</b>	
Patients Days	7,300
Occupancy Rate	95%
Number of Beds	21
Available Bed Days	7,665
<b>Total Facility</b>	
Patients Days	12,410
Occupancy Rate	94%
Number of Beds	36
Available Bed Days	13,140

\* Bermuda Village Health Center does not have Special Care Unit (SCU) beds.

As shown in the table above, the applicant projects an occupancy rate of 93% for nursing facility beds at Bermuda Village Health Center by the end of the second year following completion of the project, which exceeds the performance standard in 10A NCAC 14C .1102.

The applicant provides sufficient documentation to demonstrate the reasonableness of the utilization projections. Thus, the applicant adequately demonstrates the need for the proposed 12 nursing facility beds.

### **Access**

In Section III.4, page 62, the applicant states adding 12 nursing facility beds to Bermuda Village is an opportunity to improve nursing facility bed access in Davie County for Medicaid patients. Currently, Bermuda Village has three nursing facility beds that are not licensed for Medicaid patients. The 15 nursing facility beds to be located in the Bermuda Village Health Center will be licensed for Medicaid and Medicare patients. The applicant projects over 51% of its patients will be covered by Medicaid upon project completion. Exhibit 6 contains a copy of Bermuda Village's admission and financial agreement along with the applicant's nondiscrimination policy. The applicant adequately demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services.

### **Conclusion**

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need the population has for the proposed nursing facility services, and adequately demonstrates the extent to which residents of the service area, including underserved groups, are likely to have access to the proposed services. Therefore, the application is conforming to this criterion.

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

NA

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

CA

In Section III.2, pages 51-54, the applicant describes the alternatives considered prior to submission of the application, which include:

1. Maintain the status quo - the applicant states on page 51, this alternative is not the most effective because it is not responsive to the need for nursing care services in Davie County. The applicant states when Bermuda Village's independent living residents require a nursing facility bed and no bed is available, the residents are shuffled around and at times have to be referred to another facility, sometimes outside Davie County. This results in the desired retirement community option of "aging in place" not being an option. Service area residents also risk placement in facilities outside Davie County. Maintaining the status quo will not improve barriers to accessibility for Bermuda Village or service area residents.
2. Select a different location – the applicant states on page 52, that this alternative is not the most effective because Bermuda Village is an existing facility in Farmington, one of the most populous townships in Davie County. The facility currently has 21 adult care home beds and three nursing facility beds. Adding 12 nursing facility beds to an existing facility is more cost effective than developing a stand-alone 12 bed nursing facility.
3. Swap beds with another facility – the applicant states on page 52, this alternative is not the most effective because it would decrease the number of adult care home beds at Bermuda Village and would be much more difficult to accomplish. The applicant

states increasing the number of nursing facility beds will increase the number of available adult care home beds, because the adult care home beds will no longer be used for nursing facility patients.

4. Use an alternate facility design – the applicant states it studied nursing facility designs and other nursing facilities and chose the proposed design as the most effective alternative to maximize quality while minimizing cost.
5. Mix of private and semi-private rooms – the applicant states it chose to develop 13 private rooms to accommodate patient preference, improve security, and promote infection control. The applicant also included one semi-private room with two beds in order to accommodate couples when appropriate.

The applicant adequately demonstrates that the proposed alternative to add 12 nursing facility beds to the existing facility is the most effective or least costly alternative for providing service area residents with greater accessibility to nursing facility services based on the following:

- Additional nursing facility beds allow residents of Bermuda Village to “age in-place”.
- Renovation allows the applicant to develop 13 private rooms and one semi-private room to accommodate resident preference for private rooms and still allow a semi-private room that can accommodate a couple.
- An addition allows the applicant to select an alternate facility design to create an open model with a central dining room, common area and enclosed courtyard. A large screened in porch can also function as a separate dining area, weather permitting.

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

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

- 1. Batangas Consulting, Inc. d/b/a Bermuda Village Health Center shall materially comply with all representations made in the certificate of need application and in supplemental information received on April 6, 2015. In those instances where representations conflict, Batangas Consulting, Inc. d/b/a Bermuda Village Health Center shall material comply with the last made representation.**
- 2. Batangas Consulting, Inc. d/b/a Bermuda Village Health Center shall develop no more than 12 new nursing facility beds for a total licensed bed complement of no**

**more than 15 nursing facility and 21 adult care home beds upon completion of the project.**

- 3. Batangas Consulting, Inc. d/b/a Bermuda Village Health Center shall receive the Medicaid per diem reimbursement rates allowed by the Division of Medical Assistance, under the NC State Plan Section .0102.**
  - 4. Batangas Consulting, Inc. d/b/a Bermuda Village Health Center shall file the proposed budget for the facility with the Division of Medical Assistance no later than thirty days prior to the prospective certification date of the new beds.**
  - 5. The 12 additional nursing facility beds shall not be certified for participation in the Medicaid program prior to July 1, 2016, unless the Division of Medical Assistance determines that state funds are available in the current Medicaid budget to pay for the care and authorizes an earlier certification date.**
  - 6. For the first two years of operation following completion of the project, Bermuda Village Health Center shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
  - 7. Batangas Consulting, Inc. d/b/a Bermuda Village Health Center shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and 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 113, and in supplemental information the applicant submitted in response to questions from the Project Analyst during the expedited review of this project, the applicant projects the total capital cost for the project will be \$3,660,080. See Exhibit 45. The capital costs include \$2,341,015 in construction costs, \$508,180 in site costs and \$810,885 in miscellaneous costs which include equipment, furniture, consultant fees, financing costs, construction interest and contingencies. In Section VIII.3, page 115, the applicant states the capital costs will be 100 percent bank loan financed through Yadkin Bank. In Section IX, page 118, the applicant states there will be no start up or initial operating expenses since Bermuda Village is an existing facility.

Exhibit 33 contains a letter, dated January 12, 2015, from the Senior Vice President of Yadkin Bank, confirming the availability of funding for the proposed project. The letter states, in part,

*“We have reviewed plans and specifications regarding the proposed addition to the health center project.*

...

*Based upon a projected cost of \$3,680,000.00, Yadkin Bank is prepared to fully underwrite and process a loan request for the project. It is expected that use of [sic] loan proceeds will be made available to the project’s sponsor to finance the new addition.”*

Exhibit 40 contains an excerpt from an appraisal for the Bermuda Village Retirement Village. On page 115, the applicant states the appraised value will more than meet the bank’s 80% loan to value ratio requirement. The applicant states the addition and renovation will represent only 62 percent of the health center when the project is complete.

On page 117, the applicant states Batangas Consulting, LLC, d/b/a Bermuda Village Retirement Center acquired Bermuda Village Retirement Center in 2014. The applicant states audited financial statements for the new company are not available due to the recent acquisition. Exhibit 34 contains the most recent audited financial statements for Bermuda Village Retirement Center Limited Partnership for years ending December 31, 2012 and 2011. Exhibit 34 also contains unaudited financials for Batangas Consulting, LLC d/b/a Bermuda Village Retirement Community, Inc. as of September 30, 2014 and includes a statement of income for Bermuda Village Retirement Community from March 13 through September 30, 2014. Batangas Consulting had \$1,035,786 in cash, \$25,000,938 in total assets, and \$1,491,925 in total net assets (total assets less total liabilities).

The applicant provides pro forma financial statements for the first two years of the project and projects the following revenues and operating expenses.

<b>Nursing Facility Beds</b>	<b>Project Year 1 10/01/16 - 09/30/17</b>	<b>Project Year 2 10/01/17 - 09/30/18</b>
Projected # of Patient Days	5,040	5,110
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)	\$274	\$273
Gross Patient Revenue	\$1,380,983	\$1,395,000
Deductions from Gross Patient Revenue	0	0
Other Revenue	\$63,037	\$63,922
Total Expenses	\$1,478,440	\$1,481,823
Net Income	\$(34,420)	\$(22,900)
<b>Adult Care Home Beds</b>	<b>Project Year 1 10/01/16 - 09/30/17</b>	<b>Project Year 2 10/01/17 - 09/30/18</b>
Projected # of Patient Days	7,300	7,300
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)	\$215	\$215
Gross Patient Revenue	\$1,569,500	\$1,569,500
Deductions from Gross Patient Revenue	0	0
Other Revenue	\$140,642	\$140,533
Total Expenses	\$1,387,636	\$1,378,293
Net Income	\$322,506	\$331,739
<b>Total Licensed Beds</b>	<b>Project Year 1 10/01/16 - 09/30/17</b>	<b>Project Year 2 10/01/17 - 09/30/18</b>
Projected # of Patient Days	12,340	12,410
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)	\$239	\$239
Gross Patient Revenue	\$2,950,483	\$2,964,500
Deductions from Gross Patient Revenue	0	0
Other Revenue	\$203,679	\$204,455
Total Expenses	\$2,866,076	\$2,860,116
Net Income	\$288,086	\$308,839

The applicant projects a positive net income for Bermuda Village Health Center in each of the first two operating years of the project.

The assumptions used by the applicant in preparation of the pro formas are reasonable, including projected utilization, costs and charges. See the Pro Formas tab of the application for the assumptions regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. 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

Bermuda Village proposes construction of an addition to add 12 nursing facility beds, pursuant to an adjusted need determination in the 2015 SMFP for 12 nursing facility beds in Davie County. Bermuda Village will have a total of 15 nursing facility beds and 21 adult care home beds upon completion of the project. The applicant also plans to renovate space shared by nursing facility and adult care home beds.

The following table identifies the existing nursing facilities located in Davie County as reported in the January 2015 SMFP.

<b>Facility</b>	<b># of Beds</b>	<b>Occupancy Rate</b>
Autumn Care of Mocksville*	96	93%
Bermuda Commons Nursing and Rehabilitation Center	117	78%
Bermuda Village Retirement Center	3	100%

\* Autumn Care of Mocksville is currently building a replacement facility.

In Section III, pages 44-45, the applicant discusses the number of nursing facility beds available to Davie County residents. The applicant states that both Bermuda Commons and Bermuda Village are located close to the Forsyth County line and Forsyth County residents occupy many of the Davie County nursing facility beds. On page 45, the applicant indicates that of the 216 licensed beds available in Davie County, only 100 are available to Davie County residents. On page 38, the applicant states in FY 2013, 188 Davie County residents received care outside of Davie County (34% of total Davie County residents admitted for nursing care services). Additionally, on page 37, the applicant states that Bermuda Commons has semi-private rooms and occupancy has remained relatively constant at 90-95 patients for the last several years (77-81% occupancy rate).

In response to a petition that was approved by the State Health Coordinating Council, the 2015 SMFP identifies an adjusted need determination for 12 nursing facility beds in Davie County. The applicant proposes to develop 12 nursing facility beds in Davie County. The applicant does not propose to develop more nursing facility beds than are determined to be needed in Davie County. The applicant adequately demonstrates the need to add 12 nursing facility beds in Davie County. The discussions regarding analysis of need found in Criterion (3) and competition found in Criterion (18a) are incorporated herein by reference. Also, the applicant reasonably projected utilization of the 15 bed facility will be at 93% of capacity by the end of the second full federal fiscal year of operation. See also Sections II, III, V, VI and VII where the applicant discussed the impact of the project on health service capabilities in the service area.

The information provided by the applicant is reasonable and adequately demonstrates that the proposed project will not result in the unnecessary duplication of existing or approved nursing service capabilities or facilities in Davie County. Therefore, the application is conforming to this criterion.

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

C

In Section VII.2, page 103, the applicant proposes to provide registered nurse (RN)/licensed practical nurse (LPN) coverage 24 hours per day, 7 days per week.

**Direct Care Staff per Shift  
October 1, 2016 – September 30, 2017**

	<b>RNs</b>	<b>LPNs</b>	<b>Aides</b>	<b>Total</b>
<b>Day Shift</b>				
Nursing Unit	1.07	0.00	3.00	4.07
Adult Care Home Unit	0.00	0.00	3.00	3.00
<b>Evening Shift</b>				
Nursing Unit	1.00	0.07	2.00	3.07
Adult Care Home Unit	0.00	0.93	2.00	2.93
<b>Night Shift</b>				
Nursing Unit	1.00	0.07	2.00	3.07
Adult Care Home Unit	0.00	0.93	1.00	1.93
<b>Total for the Day</b>				
Nursing Unit	3.07	0.13	7.00	10.20
Adult Care Home Unit	0.00	1.87	6.00	7.78

Note: Bermuda Village does not have a SCU.

In Section VII.2, page 99, the applicant states the Director of Nursing and Weekend Supervisor cover lunch for the RN's working first shift, seven days a week, to maintain eight hours of coverage, which is reflected as 0.07 FTE in the table above. LPN's assigned to the adult care home unit cover lunches for the RNs working evening and night shifts to maintain eight hours of coverage, which is reflected as 0.07 FTE in the table above.

**Direct Care Staff Converted to FTEs  
October 1, 2017 – September 30, 2018**

	<b>FTE Positions</b>
<b>Nursing Facility</b>	
RN	3.95
LPN	0.18
Certified Nursing Assistant	9.19
Med Tech	0.00
Total	13.32
<b>Adult Care Home</b>	
RN	0.00
LPN	2.46
Certified Nursing Assistant	6.61
Med Tech	1.32
Total	10.39
<b>Total Direct Care Staff</b>	
RN	3.95
LPN	2.63
Certified Nursing Assistant	15.79
Med Tech	1.32
Total	23.69

Source: Section VII.3, page 104 of the application.

Adequate costs for the direct care nursing positions proposed by the applicant in Section VII.3 are budgeted in the pro forma financial statements. The table below shows the applicant's proposed direct care nursing staff and total direct care hours per patient day.

**Direct Care Hours per Patient Day  
 Project Year 2 (10/01/17 – 09/30/18)**

<b>Nursing Facility</b>	
FTEs	13.30
Direct care hours (DCH) per year per FTE	2,080
Direct care hours per year (FTEs x DCH per year)	27,664
Patient days per year	5,110
Direct care hours per patient day (DCH/Patient Days)	5.41
<b>Adult Care Home</b>	
FTEs	10.33
Direct Care hours per year per FTE	2,080
Direct care hours per year (FTEs x DCH per year)	21,476
Patient days per year	7,300
Direct care hours per patient day (DCH/Patient Days)	2.94
<b>Total Direct Care Staff</b>	
FTEs	23.69
Direct Care hours per year per FTE	2,080
Direct care hours per year (FTEs x DCH per year)	49,275
Patient days per year	12,410
Direct care hours per patient day (DCH/Patient Days)	3.97

Source: Table VII.4, page 109.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. See Exhibit 5. Therefore, the application is conforming with this criterion.

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section II.4, pages 30-31, the applicant lists the ancillary and support services currently provided at Bermuda Village. Exhibits 5 and 10 contain letters of intent from the contract providers indicating their intent to continue to provide services at Bermuda Village. In Section V.2, page 83, the applicant states it sent letters to Davie Medical Center, Wake Forest Baptist Medical Center and Forsyth Medical Center to establish formal transfer agreements. The applicant adequately demonstrates it provides or will make arrangements for the necessary ancillary and support services and that the proposed project will be coordinated with the existing health care system. Therefore, the application is conforming with this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health

service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

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

NA

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

C

In Section XI, pages 143-146 and supplemental information provided by the applicant in response to questions from the Project Analyst during the expedited review of this project, the applicant proposes to construct a 22,977 square foot addition and renovate 3,227 square feet of the existing 14,597 square feet of the facility. The facility will have 37,574 total square feet at completion of the project. The new construction includes a courtyard and outside dining area accessible to the existing facility and the proposed expansion. Exhibit 44 of the supplemental information contains a letter from Davie Construction Company and Exhibit 29 of the application contains a letter from Thomas H Hughes Architecture, documenting projected site preparation costs and construction costs consistent with the capital cost projections in Exhibit 45 of the supplemental information. In Section XI.13, page 147, of the application, the

applicant describes the cost, design, and construction factors that were considered in development of the construction estimate. In Exhibit 19, the applicant documents that applicable energy savings features will be incorporated into the design of the facility.

The applicant adequately demonstrates that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing nursing care services. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. Therefore, the application is conforming to this criterion.

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

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

The following table illustrates the current payor mix for the 3 nursing facility beds and the 21 adult care home beds, as reported by the applicant in Section VI.2, page 88.

**Patient Days of Care as a Percent of Total Days**

04/01/2014 – 12/31/2014

<b>Payor Source</b>	<b>Nursing Facility</b>	<b>Adult Care Home</b>
Medicare	95.1%	0.0%
Medicaid	0.0%	0.0%
Commercial Insurance	0.0%	0.0%
Private Pay / Charity	4.9%	100.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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 Davie County and statewide.

<b>County</b>	<b>2010 Total # of Medicaid Eligibles as % of Total Population*</b>	<b>2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population*</b>	<b>2009 % Uninsured (Estimate by Cecil G. Sheps Center)*</b>
Davie	13.5%	5.1%	17.3%
Statewide	16.5%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the nursing facility services proposed in this application.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicant's current payer mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities, handicapped persons or women utilizing health services.

The applicant adequately demonstrates that medically underserved populations currently have adequate access to the applicant's existing services. Therefore, the application is conforming with 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;

In Section VI.6, page 91, the applicant states that no civil rights complaints have been filed against Bermuda Village and no sanctions have been imposed. Therefore, the application is conforming to this criterion.

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

C

In Section VI.3, page 89, the applicant provides the projected payer mix for Bermuda Village for the second year of operation (FFY 2018), as shown in the table below.

**Patient Days of Care as a Percent of Total Days**  
10/01/2017 – 09/30/2018

<b>Payor Source</b>	<b>Nursing Facility</b>	<b>Adult Care Home</b>
Medicare	35.3%	0.0%
Medicaid	51.8%	0.0%
Commercial Insurance	0.0%	0.0%
Private Pay / Charity	13.0%	100.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The applicant demonstrates that medically underserved groups will be adequately served by the proposed additional nursing facility beds. Therefore, the application is conforming with this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI.7, pages 91-92, the applicant describes the range of means by which a person will have access to its services. The applicant provides sufficient documentation to demonstrate that it will offer a range of means to access its services. Therefore the application is conforming with 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 83 and Exhibit 20, the applicant includes correspondence sent to four area health professional training programs offering the proposed nursing facility as a clinical

training site. The applicant included responses from Davidson County Community College and Forsyth Technical Community College. The applicant adequately demonstrates that the proposed nursing facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

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

C

Bermuda Village proposes construction of an addition to add 12 nursing facility beds pursuant to an adjusted need determination in the 2015 SMFP for 12 nursing facility beds in Davie County. Bermuda Village will have a total of 15 nursing facility beds and 21 adult care home beds upon completion of the project. The applicant also plans to renovate space shared by nursing facility and adult care home beds. The following table identified the existing facilities with nursing facility beds in Davie County and their occupancy rates.

<b>Facility</b>	<b># of Beds</b>	<b>Occupancy Rate</b>
Autumn Care of Mocksville*	96	93%
Bermuda Commons Nursing and Rehabilitation Center	117	78%
Bermuda Village Retirement Center	3	100%

\* Autumn Care of Mocksville is currently building a replacement facility.

In Section I.12, page 13, the applicant states Bantangas Consulting does not own or operate any other nursing facilities. The owner, Gray Angell, owns five nursing facilities in Missouri and nine adult care facilities in three states, five of which are located in North Carolina.

In Section V.6, page 87, the applicant discusses the expected effect of the proposed project on competition in the service area, including how any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI, and VII where the applicant discusses the impact of the project on cost-effectiveness, quality, and access.

The information provided by the applicant in those sections is reasonable and adequately demonstrates that the expected effects of the proposal on competition in the service area include a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on information in the application and the following analysis:

- The applicant adequately demonstrates the need to develop 12 additional nursing facility beds and that it is a cost-effective alternative. The discussions regarding the analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that it will continue to provide quality services. The discussions regarding quality found in Criteria (1) and (20) are incorporated herein by reference.
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (1) and (13) are incorporated herein by reference.

The application is conforming to this criterion.

(19) Repealed effective July 1, 1987.

(20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

### C

According to the Nursing Home Licensure and Certification Section, DSHR, there were no incidents for which licensure penalties, suspension of admission, provisional licensure or certification deficiencies constituting substandard quality of care were imposed at Bermuda Village since September 23, 2013. The applicant provided evidence that quality care has been provided in the past. 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 submitted by the applicant is consistent with all applicable Criteria and Standards for Nursing Facility Services, promulgated in 10A NCAC 14C .1100. See discussion below.

**10A NCAC 14C .1101 INFORMATION REQUIRED OF APPLICANT**

.1101(a) *An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-C- In Section IV.2, pages 77-78, the applicant projects occupancy levels for the first eight quarters for the proposed facility. On page 74, the applicant provides the methodology and assumptions used to project occupancy.

.1101(b) *An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*

-C- In Section III.9, pages 68-69, the applicant projects patient origin by county of residence and provides the assumptions used to make the projections.

.1101(c) *An applicant proposing to establish new nursing facility or adult care home beds shall show that at least 85 percent of the anticipated patient population in the entire facility lives within a 45 mile radius of the facility, with the exception that this standard shall be waived for applicants proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, facilities that are fraternal or religious facilities, or facilities that are part of licensed continuing care facilities which make services available to large or geographically diverse populations.*

-C- In Section III.10, page 70, the applicant projects 100 percent of its nursing facility patients will live within a 45-mile radius of the facility.

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

*relative to the proposed site ultimately fail, and shall demonstrate that the proposed and alternate sites are available for acquisition.*

-NA- The applicant does not propose to establish a new nursing facility.

.1101(e) *An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.*

-NA- The applicant does not propose to establish a new nursing facility.

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

-C- In Exhibit 44 of the supplemental information provided by the applicant in response to questions from the Project Analyst during the expedited review of this project, the applicant includes a letter from Davie Construction Company indicating that the proposed facility will conform with all requirements as stated in 10A NCAC 13D.

## **10A NCAC 14C .1102 PERFORMANCE STANDARDS**

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

-C- In Section IV, page 72, the applicant demonstrates the average occupancy from April 1, 2014 through December 31, 2014 exceeded 90 percent.

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

- C- In Section IV.2, page 78, the applicant projects occupancy will be 93% in the second year of operation. On page 74, the applicant provides the methodology and assumptions used to project occupancy.
- .1102(c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*
- NA- The applicant does not propose to add adult care home beds to an existing facility.
- .1102(d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*
- NA- The applicant does not propose to develop a new adult care home facility or to add adult care home beds to an existing facility.