

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: August 12, 2015

Findings Date: August 12, 2015

Project Analyst: Celia C. Inman

Team Leader: Fatimah Wilson

Project ID #: G-11043-15

Facility: Grayson Creek of Welcome

FID #: 90508

County: Davidson

Applicants: McCubbins Real Estate, LLC (Lessor)

Landmark Assisted Living, LLC (Lessee)

Project: Relocate 15 ACH beds from Hilltop Living Center (Davidson County) and 5 ACH beds from Heritage Center (Rowan County) to Grayson Creek of Welcome for a total of 75 ACH beds upon project completion

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, McCubbins Real Estate, LLC (Lessor) and Landmark Assisted Living, LLC (Lessee), propose to acquire and relocate 15 adult care home (ACH) beds from Hilltop Living Center in Davidson County and 5 ACH beds from Heritage Center in Rowan County to Grayson Creek of Welcome (Grayson Creek). Grayson Creek is an existing 55-bed ACH in Davidson County. At project completion, Grayson Creek would have a total of 75 ACH beds. The applicants may be referred to collectively as either the applicants or Grayson Creek.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2015 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2015 SMFP that apply to this review.

Policies

Policy LTC-2: Relocation of Adult Care Home Beds is applicable to this review and discussed below:

Policy LTC-2: Relocation of Adult Care Home Beds states:

“Relocations of existing licensed adult care home beds are allowed only within the host county and to contiguous counties currently served by the facility. Certificate of need applicants proposing to relocate licensed adult care home beds to contiguous counties shall:

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

Grayson Creek is located in Davidson County. 15 of the 20 beds to be relocated to Grayson Creek will come from Hilltop Living Center, an existing adult care facility in Davidson County. The remaining five beds will come from Heritage Creek, an existing Rowan County adult care facility. Rowan County is contiguous to Davidson County. Table 11B, page 243 of the 2015 SMFP indicates that Davidson County is projected to have a 21-bed deficit in 2018.

Relocating 15 beds within Davidson County will not affect the inventory of licensed ACH beds in Davidson County. Adding five beds to Davidson County from Rowan County will not result in a surplus of licensed ACH beds in Davidson County. Furthermore, relocating five beds from Rowan County to Davidson County will not result in a deficit of licensed ACH beds in Rowan County, as confirmed on page 245 of the 2015 SMFP, where it shows Rowan County is projected to have a 382-bed surplus in 2018. Therefore, the application is consistent with Policy LTC-2.

Conclusion

In summary, the applicants adequately demonstrate that the proposal to relocate ACH beds is consistent with Policy LTC-2. Therefore, the application is conforming to this criterion.

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

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The applicants propose to acquire and relocate 20 existing ACH beds from two separate existing facilities (15 from a facility within Davidson County and five from a facility in the adjacent county of Rowan) to the existing Grayson Creek ACH facility located at 6781 Old US Highway 52 in Lexington, Davidson County. In Section I, pages 5-6, the applicants state that Hilltop Living Center and Heritage Center will de-license the beds being relocated from their facilities to Grayson Creek upon issuance of the certificate of need. Exhibit 1 contains the Memorandum of Understanding confirming each entity's intentions to de-license the beds being relocated from their respective facilities.

Population to be Served

On page 217, the 2015 SMFP defines the service area for adult care home beds as the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area. Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

In Section III.6-7, pages 39-40, the applicants provide the historical and projected patient origin for Grayson Creek, as shown in the table below:

**Historical and Projected Patient Origin
by Percent by County**

County of Origin	Historical	Projected
Davidson	66%	66%
Forsyth	11%	11%
Yadkin	4%	4%
Mecklenburg	4%	4%
Guilford	2%	2%
Rowan	2%	2%
Stokes	2%	2%
Union	2%	2%
Cabarrus	2%	2%
Chatham	2%	2%
Out of State	3%	3%
Total	100%	100%

The applicants state:

“Patient origin percentages are based on patient origin of the existing facility.”

The applicants adequately identify the population to be served.

Analysis of Need

In Section III.1, pages 31-34, the applicants discuss the need for the proposed project. The applicants state the need is based on the county’s deficit of ACH beds, the county’s projected increase in population over age 65 and the internal needs of each of the three facilities, specifically, the occupancy rates, age and condition of the existing buildings:

- The 2015 SMFP projects a deficit of 21 ACH beds in Davidson County.
- Claritas projections show Davison County’s population of individuals over age 65 will increase 16.72% between 2015 and 2020 (Exhibit 11).
- Davidson County has an average ACH occupancy rate of 83.15%, based on the most recent license renewal (2015 LRA) information. See Exhibit 10.
- Grayson Creek’s occupancy rate is 93.04% and Grayson Creek maintains a waiting list.
- Hilltop Living Center has an occupancy rate of 74.04%. Heritage Center has an occupancy rate of 63%.
- Grayson Creek is a newly constructed (completed 2013) facility.
- Both Hilltop and Heritage Centers’ physical plants are over 50 years old. Hilltop still has 15 ward rooms and Heritage has one ward room.

In Section I (b), page 32, the applicants state:

“The number of beds being re-located to Grayson Creek of Welcome from the other facilities is a number that will allow Hilltop and Heritage to be formally licensed for numbers more consistent with their operational capacity while providing Grayson Creek of Welcome additional bed capacity while still maintaining a complement of private rooms in a newer, modern physical plant.”

Historical Utilization

In Section IV.1, page 42, the applicants provide utilization data for a nine month period preceding the submission of the application, as illustrated in the table below.

Historical Utilization

	1	2	3	4	5	6	7	8	9	Total
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	
ACH (excluding Special Care Unit)										
Patient Days	1,209	1,170	1,209	1,170	1,209	1,178	1,088	1,184	1,097	10,514
Occupancy Rate	100.00%	100.00%	100.00%	100.00%	100.00%	97.44%	99.63%	97.93%	93.76%	98.75%
# of Beds	39	39	39	39	39	39	39	39	39	39
Special Care Unit										
Patient Days	467	453	429	433	422	481	414	486	480	4,065
Occupancy Rate	94.15%	94.38%	86.49%	90.21%	85.08%	96.98%	92.41%	97.98%	100.00%	93.06%
# of Beds	16	16	16	16	16	16	16	16	16	16
Total ACH										
Patient Days	1,676	1,623	1,638	1,603	1,631	1,659	1,502	1,670	1,577	14,579
Occupancy Rate	98.30%	98.36%	96.07%	97.15%	95.66%	97.30%	97.53%	97.95%	95.58%	97.10%
# of Beds	55	55	55	55	55	55	55	55	55	55

As the table above illustrates, Grayson Creek maintains a consistently high occupancy rate.

Projected Utilization

In Section IV, pages 45-46, the applicants provide projected quarterly utilization data for the first three full federal fiscal years of operation, as summarized annually in the table below.

Projected Utilization

	1st Full FFY 10/1/16 to 9/30/17	2nd Full FFY 10/1/17 to 9/30/18	3rd Full FFY 10/1/18 to 9/30/19
ACH (excluding Special Care Unit)			
Patient Days	19,892	20,890	20,890
Occupancy Rate	92.37%	97.00%	97.00%
# beds	59	59	59
Special Care Unit			
Patient Days	5,395	5,665	5,665
Occupancy Rate	92.37%	97.00%	97.00%
# beds	16	16	16
Total ACH			
Patient Days	25,287	26,555	26,555
Occupancy Rate	92.37%	97.00%	97.00%
# beds	75	75	75

As shown in the table above, the applicants project the 75 ACH beds will operate above 92% [25,287 / (75 x 365) = 0.9237] in the first full federal year of operation and at 97% [26,555 / (75 x 365) = 0.9700] in the second and third years of operation. .

In Section IV.2, page 43, the applicants describe the assumptions and methodology used to project utilization at Grayson Creek as follows:

“We assumed a net fill up of 2 residents per week for the first months and then 2 residents per month until 97% occupancy is achieved and maintained. The fill up rate is based upon an analysis of previous Adult Care Home cost report data that shows new facilities fill up at this rate during their initial year of operation. Since this is essentially a new facility already operating at operational capacity, a similar fill up rate is reasonable for this project.

...

The occupancy rate of 97% was projected based on occupancy over the last nine months of 97% and the fact the facility currently has a waiting list of 6 residents.”

The applicants’ projected utilization is based on reasonable assumptions regarding the increased number of beds, the current occupancy and waiting list, and historical cost report data. The applicants adequately demonstrate the need to relocate the 20 beds to Grayson Creek. Exhibit 15 contains support letters from community members and community organizations.

Access

Historically, the percentages for Special Assistance with Basic Medicaid at Grayson Creek was 43.27% and 55.52% for ACH and Special Care Unit patient days, respectively.

In Section VI, pages 53-54, the applicants project 41% of Grayson Creek's ACH patient days and 57% of its Special Care Unit patient days will come from patients receiving Special Assistance with Basic Medicaid. The applicants state:

“Grayson Creek accepts both Special Assistance and Private Pay residents. The applicant is currently operating at approximately 44% Special Assistance and will continue to operate the new facility accepting any qualified resident offering the same services without regard to funds. Special Assistance residents in the new facility will also be allowed a private room on first come, first served basis. Private pay residents who spend down their funds will transfer to Special Assistance and will be allowed to remain in the facility.”

The applicants adequately demonstrate 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 applicants adequately identify the population to be served and demonstrate the need the population has for the project and the extent to which all residents of the area, including underserved groups, are likely to have access to the services provided. Therefore, the application is conforming to this criterion.

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

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The applicants propose to acquire and relocate 20 existing ACH beds from two separate facilities to Grayson Creek. On page 33, the applicants state that relocation of the beds to Grayson Creek will provide residents access to quality adult care home services in a desirable environment. On page 36, the applicants state that the project will accomplish a more efficient distribution of beds in the county by moving the beds closer to the county's population source - Lexington. Fifteen of the beds are being relocated from Hilltop Living Center in Davidson County, which currently operates at only 74% capacity. Five of the beds will come from Heritage Center in Rowan County, which operates at only 63% capacity. Furthermore, Rowan County has a surplus of 382 ACH beds. On page 37, the applicant states that at least one of the residents currently residing in the Rowan County facility is from Davidson County. Furthermore, two percent of Grayson Creek's patient origin is from Rowan County.

The applicants project 44% of Grayson Creeks' patient days will be Special Assistance with Basic Medicaid. This is relatively consistent with Grayson Creek's historical average and the county average of 46%.

The applicants demonstrate that the acquisition and relocation of the beds will not have a negative impact on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed services. In addition, the applicants demonstrate that the needs of the population presently served will be met adequately by the proposed relocation. Therefore, the application is conforming to this criterion.

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

CA

In Section III.2(a), pages 35-36, the applicants discuss the alternatives considered prior to the submission of this application, which include:

1. Maintain the status quo – the applicants state they considered continuing to maintain their current licensed bed complement; however, they deemed this alternative was not the most beneficial to the residents (particularly the medically underserved residents) of Davidson County.
2. Build a new adult care home in Davidson County – the applicants state that they explored the possibility of a new facility. Adding existing licensed capacity to the current facility was deemed more practical and financially feasible than constructing a new facility.
3. Add licensed capacity to the existing Grayson Creek of Welcome facility – the applicants state that Grayson Creek operates essentially at full capacity, has a waiting list and has the physical capacity to increase its licensed capacity by 20 beds without making any renovations or capital additions to the current physical plant. Therefore it was deemed most practical to incorporate the additional beds into the existing physical plant, both from a financial and time standpoint. The applicants further state:

“Grayson Creek of Welcome is an existing 55 bed adult care home that has only been licensed since September, 2013. The facility operates at essentially full operational occupancy (vacant beds only as a result of turnover/hospitalization/home visits, etc.) and has done so since 3 months after opening. They currently have a waiting list of 6 residents and are constantly having to direct patients to other facilities. It is clear that this adult care home, in this location, will best suit the needs of residents, and particularly the medically underserved residents of Davidson County.”

The applicants adequately demonstrate that the proposed alternative is the most effective or least costly alternative.

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

In summary, the applicants adequately demonstrate that the proposal is the least costly or most effective alternative to meet the applicants' stated need for additional ACH bed capacity. Consequently, the application is conforming to this criterion and is approved subject to the following conditions.

1. **McCubbins Real Estate, LLC and Landmark Assisted Living, LLC shall materially comply with all representations made in the certificate of need application.**
 2. **McCubbins Real Estate, LLC and Landmark Assisted Living, LLC shall add no more than 20 adult care home beds for a total of no more than 75 upon project completion, by relocating 15 adult care home beds from Hilltop Living Center and five from Heritage Center. Upon the relocation and licensing of the beds at Grayson Creek, Hilltop Living Center and Heritage Center will take steps to de-license 15 and five adult care home beds, respectively.**
 3. **For the first two years of operation following completion of the project, McCubbins Real Estate, LLC and Landmark Assisted Living, LLC 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 Agency that the proposed increase is in material compliance with the representations in the certificate of need application.**
 4. **McCubbins Real Estate, LLC and Landmark Assisted Living, LLC shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI. 2.**
 5. **McCubbins Real Estate, LLC and Landmark Assisted Living, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency 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.

In Section VIII.1, page 64, the applicants project that the total capital cost of the project will be \$292,500, as shown in the table below.

Project Capital Costs	
Consultant Fees	\$292,500
Total Capital Cost	\$292,500

In Section VIII.2, page 65, the applicants show the total cost of the project will be financed with owner’s cash and line of credit. Exhibit 17 contains a letter from the applicants pledging to utilize personal lines of credit, money market and facility operation accounts to fund the project.

Exhibit 18 contains a bank letter verifying the owner’s personal line of credit balance of \$184,468. Exhibit 19 contains the bank’s account balance summary for Grayson Creek’s checking account showing funds available in the amount of \$96,995.17.

Exhibit 20 contains copies of the 2013 and 2014 financial statements for Landmark Assisted Living, LLC and McCubbins Real Estate, LLC, showing positive balances of cash on hand, total assets and owner’s equity.

This project has no start-up and initial operating expenses because this is an existing facility and operations will be on-going.

The applicants adequately demonstrate the availability of funds for the capital needs of the proposed project.

In Section X, page 77, the applicants project per diem rates and charges by payor source for the first three operating years (October 1, 2016 – September 30, 2019) following completion of the project, as shown in the following table.

Projected Per Diem Reimbursement Rates/Charges		
Source of Payment	Private Room	Semi-Private Room
ACH (excluding SCU)		
Private Pay	\$ 131.45	\$ 98.59
Special Assistance	\$ 38.86	\$ 38.86
Other (Medicaid)	\$ 32.83	\$ 32.83
Special Care Unit		
Private Pay	NA	\$ 147.95
Special Assistance	NA	\$ 49.81
Other (Medicaid)	NA	\$ 38.80

Furthermore, in Form B, the applicants project that revenues will exceed operating costs in each of the first three full federal fiscal years following completion of the proposed project, as shown in the tables below.

Project Year One

October 1, 2016-September 30, 2017

	ACH (excluding SCU)	Special Care Units	Total Facility
Projected # of Patient Days	19,892	5,395	25,287
Projected Average Charge	\$ 92.57	\$ 114.13	\$ 97.17
Gross Patient Revenue	\$ 1,841,453	\$ 615,720	\$ 2,457,173
Total Operating Expenses	\$ 1,344,960	\$ 493,716	\$ 1,838,676
Net Income	\$ 496,493	\$ 122,004	\$ 618,497

Project Year Two

October 1, 2017-September 30, 2018

	ACH (excluding SCU)	Special Care Units	Total Facility
Projected # of Patient Days	20,890	5,665	26,555
Projected Average Charge	\$ 92.57	\$ 114.13	\$ 97.17
Gross Patient Revenue	\$ 1,933,839	\$ 646,528	\$ 2,580,367
Total Operating Expenses	\$ 1,415,330	\$ 540,312	\$ 1,955,642
Net Income	\$ 518,509	\$ 106,216	\$ 624,725

Project Year Three

October 1, 2018-September 30, 2019

	ACH (excluding SCU)	Special Care Units	Total Facility
Projected # of Patient Days	20,890	5,665	26,555
Projected Average Charge	\$ 92.57	\$ 114.13	\$ 97.17
Gross Patient Revenue	\$ 1,933,839	\$ 646,528	\$ 2,580,367
Total Operating Expenses	\$ 1,415,330	\$ 540,312	\$ 1,955,642
Net Income	\$ 518,509	\$ 106,216	\$ 624,725

The applicants adequately demonstrate that projected revenues and operating costs are based on reasonable and adequately supported assumptions, including projected utilization. See Exhibit 22 for financial assumptions. The discussion regarding analysis of need and projected utilization in Criterion (3) is incorporated herein by reference.

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

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

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The applicants do not propose to develop additional ACH beds. Rather, the applicants propose to relocate 20 (15 existing ACH beds from Davidson County and five from contiguous Rowan County) to Grayson Creek in Davidson County.

On page 217, the 2015 SMFP defines the service area for adult care home beds as the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area. Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

The following table shows the existing and approved adult care home beds located in Davidson County, per page 224 of the 2015 SMFP. The utilization figure is calculated from information submitted on days of care on each facility's 2015 License Renewal Application.

Inventory and Utilization of ACH Beds in Davidson County

Facility Name	# of Beds	Days of Care	Utilization
Brookstone Retirement Center	115	35,350	84.2%
Carolina House of Lexington	76	20,639	74.4%
Grayson Creek of Welcome	55	16,477	82.1%
Hilltop Living Center	80	21,620	74.0%
Lexington Health Care Center	10	2,963	81.2%
Mallard Ridge Assisted Living	100	33,640	92.2%
Mountain Vista Health Park	60	19,098	87.2%
Piedmont Crossing	20	4,315	59.1%
Pine Ridge Health & Rehabilitation Center	14	3,118	61.0%
Spring Arbor of Thomasville	62	20,475	90.5%
Total Inventory and Days of Care /Average Utilization	592	177,695	78.6%

As shown in the table above, Grayson Creek reported utilization above 82%. Furthermore, six of the ten facilities report greater than 80% utilization. Relocating the 15 beds within Davidson County will not result in unnecessary duplication of existing or approved services.

Five beds are being relocated to Grayson Creek from Heritage Center (operating at only 63% of capacity) in the contiguous county of Rowan. As projected in the 2015 SMFP and discussed in Criterion (3), Rowan County will have a surplus of 382 ACH beds in 2018 and Davidson County will have a deficit of 21 ACH beds. Relocating five beds from Rowan to Davidson County will lessen Rowan's surplus and Davidson's deficit.

The applicants adequately demonstrate the need to relocate the 20 ACH beds from the existing facilities; Hilltop Living Center in Davidson County and Heritage Center in Rowan County. The discussion regarding analysis of need and projected utilization in Criterion (3) is incorporated herein by reference. Also, the applicants reasonably project utilization of the 75-bed facility will be above 92 percent of capacity in each of the first three full fiscal years

of operation. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on health service capabilities in the service area.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that the proposed project will not result in the unnecessary duplication of existing or approved adult care capabilities or facilities in Davidson 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

The applicants propose to provide direct care staff twenty-four hours per day, seven days per week. In Section VII.4, pages 61-62, the applicants state that by FFY 2018 (the second full federal fiscal year) the facility will be staffed by 28.0 direct care full-time equivalent (FTE) positions, with 12.6 FTEs attributed to the special care unit. The applicants project 1.53 direct care hours per patient day for the ACH beds and 4.63 direct care hours per patient day for the special care unit.

Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

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In Section II.2-4, pages 18-23, the applicants discuss the ancillary and support services that will be provided by the facility or made available through agreements with other providers, including health professional, therapy, dietary, transportation, dentistry, physician, and pastoral care services. In Exhibit 8, the applicants provide copies of letters from a registered nurse, pharmacy consultant, food services and therapist, committing to the provision of pharmacy consultation, food services and therapy services, respectively. In Section V.2, page 51, the applicants state that the existing facility has strong working relationships with home health providers, hospitals, doctors' offices, and social service providers, referencing Exhibit 14 for letters from area healthcare providers and health organizations. Exhibit 12 contains a letter from Grayson Creek to the Davidson County Department of Social Services requesting support.

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

NA

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

NA

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs

identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

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

C

Grayson Creek is an existing adult care home with 55 ACH beds. In Section VI.1, page 53, the applicants provide the adult care home's current payor mix (January through December 2014), as illustrated in the table below.

Payor Source	ACH (excluding SCU) as Percent of Total	SCU as Percent of Total
Private Pay	56.73%	44.48%
Special Assistance with Basic Medicaid	43.27%	55.52%
Total	100.00%	100.00%

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 the proposed service area and Statewide.

County	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Davidson	17.2%	6.9%	18.4%
Forsyth	16.1%	5.7%	19.5%
Yadkin	16.6%	6.6%	18.7%
Mecklenburg	14.7%	5.1%	20.1%
Guilford	15.3%	5.9%	19.5%
Rowan	18.7%	7.6%	18.9%
Stokes	14.3%	6.3%	16.6%
Union	10.9%	3.4%	18.0%
Cabarrus	14.3%	4.9%	18.5%
Chatham	11.6%	4.1%	19.3%
Statewide	16.5%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group would not typically utilize the health 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, as well as data sorted by age, race or gender. However, a direct comparison to the applicants' current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities, handicapped persons, or women utilizing health services.

The applicants demonstrate that medically underserved populations currently have adequate access to the applicants' 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;

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In Section VI.5, page 55, the applicants state, "*There have been no civil rights access complaints filed against either Grayson Creek of Welcome or any of the other facilities owned by the applicants.*" 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

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In Section VI.2, page 53, the applicants project the payor mix for Grayson Creek, as illustrated in the table below:

Payor Source	ACH (excluding SCU) as Percent of Total	SCU as Percent of Total
Private Pay	59.00%	43.00%
Special Assistance with Basic Medicaid	41.00%	57.00%
Total	100.00%	100.00%

Historically, as illustrated above in Criterion (13a), the payor mix was 56.73% private pay and 43.27% Special Assistance with Basic Medicaid for ACH residents; and 44.48% private pay and 55.52% Special Assistance with Basic Medicaid for SCU residents. As shown in the table above, the percentage of projected days as a percent of total days for patients receiving Special Assistance with Basic Medicaid would decrease slightly for ACH residents and increase slightly for SCU residents. The assumptions in Exhibit 22 state that the projected payor mix is consistent with the facility’s payor mix over the last nine months. The applicants demonstrate that Grayson Creek will provide adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

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

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In Section VI.4, page 54, the applicants discuss admissions requirements and policies.

In Section VI.6, page 55, the applicants state:

“Grayson Creek of Welcome is an existing facility that has a demonstrated history of providing services in their facility at essentially optimum capacity. A partial list of entities from whom they receive referrals is as follows:

*Lexington Health Care (Nursing Facility)
 Abbott’s Creek (Nursing Facility)
 Lexington Memorial Hospital
 Davidson County Department of Social Services. [sic]”*

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

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

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In Section V.1, page 51, the applicants refer to Exhibit 13 for documentation on accommodating the clinical needs of health professional training programs. Exhibit 13 contains a copy of an emailed letter from Grayson Creek to Davidson County Community College offering Grayson Creek as a clinical training site for the college's nurse aide program.

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

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

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

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The applicants propose to relocate 20 ACH beds (15 from an existing Davidson County facility and five from an existing facility in the contiguous county of Rowan) to an existing facility in Davidson County.

On page 217, the 2015 SMFP defines the service area for adult care home beds as the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area. Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

The following table shows the existing and approved ACH beds located in Davidson County, per page 224 of the 2015 SMFP. The utilization figure is calculated from information submitted on days of care on each facility's 2015 License Renewal Application.

Inventory and Utilization of ACH Beds in Davidson County

Facility Name	# of Beds	Days of Care	Occupancy Rate
Brookstone Retirement Center	115	35,350	84.2%
Carolina House of Lexington	76	20,639	74.4%
Grayson Creek of Welcome	55	16,477	82.1%
Hilltop Living Center	80	21,620	74.0%
Lexington Health Care Center	10	2,963	81.2%
Mallard Ridge Assisted Living	100	33,640	92.2%
Mountain Vista Health Park	60	19,098	87.2%
Piedmont Crossing	20	4,315	59.1%
Pine Ridge Health & Rehabilitation Center	14	3,118	61.0%
Spring Arbor of Thomasville	62	20,475	90.5%
Total Inventory and Days of Care /Average Utilization	592	177,695	78.6%

In Section V.4, page 52, the applicants discuss how any enhanced competition in the service area will have a positive impact upon cost-effectiveness, quality of care, and access to the proposed services. The applicants state:

“Significant operational efficiencies will be achieved as a result of this project. Only a few positions in the personal care and housekeeping/laundry cost centers will be added. All other staffing will remain fixed, resulting in a lower cost per patient day.

As a result of additional personal care staffing, quality of care should be increased. Relocating the 20 beds to a newly constructed physical plant with modern amenities in a desired location will improve access to the medically underserved.”

See also Sections II, III, V, VI, and VII in which the applicants discuss the impact of the project on cost-effectiveness, quality, and access.

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

- The applicants adequately demonstrate the need to relocate the 20 ACH beds to the existing facility in Davidson County and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicants adequately demonstrate that Grayson Creek will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicants adequately demonstrate that Grayson Creek will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is incorporated herein by reference.

Therefore, 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.

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Grayson Creek of Welcome is an existing facility with 55 ACH beds located in Davidson County. In Section I.12, page 11, the applicant states that it does not own, lease, or manage any other adult care homes in North Carolina. According to the files in the Adult Care Licensure Section, DHSR, no incidents occurred within the eighteen months immediately preceding submission of the application through the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on any facility owned and operated by the applicants in North Carolina. After reviewing and considering information provided by the applicants and by the Adult Care Licensure Section and considering the quality of care provided at the facility, the applicants provided sufficient 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.

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The application is conforming to all applicable *Criteria and Standards for Nursing Facility or Adult Care Home Facility Services*, promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below.

.1101 INFORMATION REQUIRED OF APPLICANT

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

-NA- The applicants do not propose to establish new nursing facility or adult care home beds.

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

-NA- The applicants do not propose to establish new nursing facility or adult care home beds.

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

-NA- The applicants do not propose to establish new nursing facility or adult care home beds.

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

-NA- The applicants do not propose to establish new nursing facility or adult care home beds.

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

-NA- The applicants do not propose to establish new nursing facility or adult care home beds.

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

-NA- The applicants do not propose to establish new nursing facility or adult care home beds.

.1102 PERFORMANCE STANDARDS

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

-NA- The applicants do not propose to add nursing facility beds to an existing facility.

(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 do not propose to establish a new nursing facility or add nursing facility beds.

(c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

-C - In Section IV.1, page 42, the applicants provide utilization data for a nine month period preceding the submission of the application, as illustrated in the table below.

Historical Utilization

	1	2	3	4	5	6	7	8	9	Total
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	
ACH (excluding Special Care Unit)										
Patient Days	1,209	1,170	1,209	1,170	1,209	1,178	1,088	1,184	1,097	10,514
Occupancy Rate	100.00%	100.00%	100.00%	100.00%	100.00%	97.44%	99.63%	97.93%	93.76%	98.75%
# of Beds	39	39	39	39	39	39	39	39	39	39
Special Care Unit										
Patient Days	467	453	429	433	422	481	414	486	480	4,065
Occupancy Rate	94.15%	94.38%	86.49%	90.21%	85.08%	96.98%	92.41%	97.98%	100.00%	93.06%
# of Beds	16	16	16	16	16	16	16	16	16	16
Total ACH										
Patient Days	1,676	1,623	1,638	1,603	1,631	1,659	1,502	1,670	1,577	14,579
Occupancy Rate	98.30%	98.36%	96.07%	97.15%	95.66%	97.30%	97.53%	97.95%	95.58%	97.10%
# of Beds	55	55	55	55	55	55	55	55	55	55

As the table above illustrates, the occupancy at Grayson Creek for the nine-month period preceding submittal of the application was 97.10 percent, well above the required threshold of 85 percent.

(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, pages 45-46, the applicants provide projected quarterly utilization data for the first three full federal fiscal years of operation, as summarized annually in the table below.

Projected Utilization

	1 st Full FFY 10/1/16 to 9/30/17	2 nd Full FFY 10/1/17 to 9/30/18	3 rd Full FFY 10/1/18 to 9/30/19
ACH (excluding Special Care Unit)			
Patient Days	19,892	20,890	20,890
Occupancy Rate	92.37%	97.00%	97.00%
# beds	59	59	59
Special Care Unit			
Patient Days	5,395	5,665	5,665
Occupancy Rate	92.37%	97.00%	97.00%
# beds	16	16	16
Total ACH			
Patient Days	25,287	26,555	26,555
Occupancy Rate	92.37%	97.00%	97.00%
# beds	75	75	75

As shown in the table above, the applicants project the 75 ACH beds will operate above 92% [$25,287 / (75 \times 365) = 0.9237$] in the first full federal year of operation and at 97% [$26,555 / (75 \times 365) = 0.9700$] in the second and third years of operation. Assumptions and specific methodologies are identified in Section IV, page 43.