

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: February 23, 2015

Findings Date: February 23, 2015

Project Analyst: Celia C. Inman

Assistant Chief: Martha J. Frisone

Project ID #: G-10357-14

Facility: Peak Resources-Alamance

FID #: 923271

County: Alamance

Applicants: Peak of Graham, LLC

Peak Resources-Alamance, Inc.

Project: Relocate 120 nursing facility beds within Alamance County and construct a replacement facility

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.

CA

The applicants, Peak of Graham, LLC (Lessor) and Peak Resources-Alamance, Inc. d/b/a Peak Resources-Alamance (Lessee), propose to relocate Peak Resources-Alamance, an existing nursing facility with 120 nursing facility (NF) beds, from the current location at 779 Woody Drive, Graham, Alamance County to a newly constructed replacement facility in Graham, Alamance County.

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 2014 State Medical Facilities Plan (SMFP).

Policies

The following policies are applicable to this review and discussed below:

- POLICY NH-6: RELOCATION OF NURSING FACILITY BEDS
- POLICY NH-8: INNOVATIONS IN NURSING FACILITY DESIGN
- POLICY GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES

POLICY NH-6: RELOCATION OF NURSING FACILITY BEDS states:

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

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

The applicants are proposing to relocate existing nursing facility beds within Alamance County, the host county. Consequently, the application is consistent with Policy NH-6.

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 like 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, pages 23-24, the applicants discuss the innovative approaches they say are inherent in the proposed relocation and replacement of beds, noting 52 private rooms with private bathrooms, five separate private living rooms and smaller, intimate dining rooms, a large staff lounge, and a large therapy room. The applicants state that innovative care practices have been implemented by Peak Resources and will be implemented in the replacement facility.

The applicants discuss implementation of methods to advance nursing excellence; clinical pathways developed to provide guidance to the nursing staff and promote in-house resident treatment, and limiting unnecessary hospital transfers; Interact, a quality improvement program that focuses on the management of acute change in resident condition; and a Back to home pharmacy / Early home health intervention program.

The applicants are proposing to pursue innovative approaches in care practices, work place practices and environmental design, which will address quality of care and quality of life needs of the residents. Therefore, the application is consistent with Policy NH-8.

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, page 26, the applicants provide information describing the proposed project’s plan to assure improved energy efficiency and water conservation:

“The building will be constructed with energy efficient insulation, consistent with existing building codes. Insulated windows, energy efficient split heating and cooling equipment as well as energy efficient appliances will be incorporated in the design of the building. The building will also have programmable thermostats, energy efficient fluorescent lighting and LED lighting, and dual level switching. Motion sensors for the lighting will be placed in common areas. A central lighting control system will be used for the common areas which will reduce energy consumption.

Water conservation will be achieved through the use of low flow toilets in general area bathrooms. New water pipes will minimize water leak potential. On demand gas water heaters with a recirculation loop will be utilized which will reduce the potential for water heater ruptures and leaks.

Should the applicants be awarded this certificate of need, they understand and acknowledge the Certificate of Need Section will impose a condition requiring them 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 will be consistent with the energy efficiency measures outlined above.”

The applicants adequately demonstrate that they will assure improved energy efficiency and water conservation in the proposed replacement nursing facility. Therefore, the application is consistent with Policy GEN-4, subject to Condition 4 in Criterion (4).

Conclusion

In summary, the applicants adequately demonstrate that the proposal to relocate nursing beds is consistent with Policy NH-6, Policy NH-8 and Policy GEN-4. Therefore, the application is conforming to this criterion, subject to Condition 4 in Criterion (4).

- (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

The applicants propose to relocate 120 existing NF beds from the current location in Graham, Alamance County to a newly constructed replacement facility in Graham, Alamance County.

The proposed replacement facility, Peak Resources-Alamance, will be located at 600 North Main Street, approximately two miles from the current location.

The land and building will be owned by Peak of Graham, LLC and the building will be leased to Peak Resources-Alamance, Inc., the operator of the nursing facility. The nursing facility will continue to be managed by Peak Resources Inc. The existing and proposed lease agreements and the management agreement are provided in Exhibits 1, 2 and 3, respectively.

Population to be Served

In Section III.7, pages 29-30, the applicants provide the historical and projected patient origin for Peak Resources-Alamance, as shown in the table below:

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

County of Origin	Historical	Projected
Alamance	80.38%	80.38%
Davidson	0.93%	0.93%
Durham	0.93%	0.93%
Forsyth	0.93%	0.93%
Guilford	4.68%	4.68%
Johnston	0.93%	0.93%
Lenoir	0.93%	0.93%
Orange	6.55%	6.55%
Randolph	0.93%	0.93%
Rockingham	1.88%	1.88%
Union	0.93%	0.93%
Total	100.00%	100.00%

The applicants state:

“Patient origin percentages were based on the county of origin for the residents at the existing facility.”

The applicants adequately identify the population to be served.

Analysis of Need

In Section III.1, pages 18-20, the applicants discuss the need to relocate and replace Peak Resources-Alamance and its 120 nursing facility beds. The applicants state the need is an internal need, based on the age and condition of the existing building, specifically:

- The existing building is over 38 years old, consisting of approximately 35,000 total square feet.

- The existing facility has only four private rooms.
- The existing facility is an old motel, built in 1976 and has multiple safety, environmental, privacy, and storage concerns.
- The facility has had several water main leaks that have interrupted operations.
- The existing facility has inadequate seating areas for residents and families.
- The existing facility does not have an adequate activities room or therapy gym.
- The building is not energy efficient and it is difficult to maintain temperature levels.

The applicants state that the photographs of the existing facility in Exhibit 4 document the need for a new facility. The new facility will provide:

- 52 private nursing facility rooms,
- 34 semi-private nursing facility rooms (68 beds),
- 69,276 square feet of space with more common/family visitation space,
- more intimate dining,
- private baths in each room,
- larger therapy space, and
- enclosed courtyards.

Population Increase and Distribution of Beds

In Section III.2(b), the applicants discuss the proposed location of the replacement facility and the availability and distribution of nursing beds in Alamance County, along with the projected population increase. The applicants suggest that although the project is technically a relocation, it is essentially replacing the facility in the same relative location because of the close proximity (two miles) of the new location to the existing facility. On page 21, the applicants state:

“This will allow the existing residents to be housed in a modern updated facility while still being close to their loved ones in the community.”

Per the 2014 SMFP, there are currently eight licensed nursing facilities in Alamance County. On pages 21-22, the applicants state:

“Only one facility is located in Graham (Peak Resources-Alamance) even though Graham is the second largest geographical area as defined by zip code in Alamance County.

The population in this area is anticipated to continue to increase, further justifying the continued need for long term care facilities in this area. Within an 8 mile radius of the site, the population is anticipated to increase approximately 4.19% from 2014 to 2019. The elderly population is anticipated to increase at an even greater rate. Between 2014-2019, the population over age 65 within an 8 mile radius of the proposed site is projected to increase 14.55%. See Exhibit 6.”

The applicants also discuss the population increase relative to the zip code of the proposed location on page 22, stating:

“The population of individuals over age 65 (those most likely to require placement in long term care facilities) in the geographical zip code area of the proposed location of the facility is anticipated to increase 17.75% between 2014 and 2019. The population for the same age group in all of Alamance County is projected to increase 17.42%. See Exhibit 7.”

Exhibits 6 and 7 contain the population facts referred to above, which the applicants say support the need for the beds to remain located in Graham.

Historical Utilization

In Section IV.1, page 31, the applicants provide the 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
	Nov	Dec	Jan	Feb	March	April	May	June	July	
Nursing Beds										
NF Patient Days	2,990	3,046	3,000	3,002	3,257	3,089	3,190	3,084	3,232	27,890
Occupancy Rate	83.06%	81.88%	80.65%	89.35%	87.55%	85.81%	85.75%	85.67%	86.88%	85.13%
# of Beds	120	120	120	120	120	120	120	120	120	120

In Section III.1(b), pages 18-19, the applicants state

“The nursing facility operated at 86.68% capacity based on most recent license renewal application information.

The nursing facility is underutilized mainly because the physical plant is approximately 38 years old and lacks many desirable amenities of newer facilities such as private dining areas, individually heated and cooled rooms, and larger common areas. The existing facility also has only 4 private rooms compared to 52 private rooms proposed in the new facility.

Today’s consumer in general is of the mindset that newer is better. We are a society that tears down and rebuilds rather than preserving and renovating existing structures. There is absolutely nothing that can be done to an old outdated building that will give it the same appearance and feel of a new building. When choosing a long term care facility, virtually all of us are, at least initially, driven by the appearance of the building.

There are three other nursing facilities with occupancy rates over 90% See Exhibit 5. The applicant is confident that a newly constructed nursing facility/adult care home will generate a much greater occupancy rate than what is now being realized.”

According to Peak Resources-Alamance’s 2014 License Renewal Application, 111 of its 120 beds were occupied, as of September 30, 2013, for an occupancy rate of 92.5% on that date.

Projected Utilization

In Section IV, pages 34-35, the applicants provide projected utilization for the first two full federal fiscal years as illustrated in the table below.

Projected Utilization

	Project Year 1 October 1, 2016-September 31, 2017					Project Year 2 October 1, 2017-September 31, 2018				
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Nursing Beds										
Patient Days	9,576	9,936	10,046	10,157	39,715	10,157	9,936	10,046	10,157	40,296
Occ Rate	86.74%	92.00%	92.00%	92.00%	90.67%	92.00%	92.00%	92.00%	92.00%	92.00%
# beds	120	120	120	120	120	120	120	120	120	120
ACH Beds										
Patient Days	0	0	0	0	0	0	0	0	0	0
Occ Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
# beds	0	0	0	0	0	0	0	0	0	0
Total Beds										
Patient Days	9,576	9,936	10,046	10,157	39,715	10,157	9,936	10,046	10,157	40,296
Occ Rate	86.74%	92.00%	92.00%	92.00%	90.67%	92.00%	92.00%	92.00%	92.00%	92.00%
# beds	120	120	120	120	120	120	120	120	120	120

As shown in the table above, in the second year of operation, the applicants project the 120 NF beds will operate at an occupancy rate of 92% of capacity [$40,296 / (120 \times 365) = 0.9200$].

In Section IV.2, page 32, the applicants describe the assumptions and methodology used to project utilization at Peak Resources-Alamance as follows:

“All existing residents (assumed to be 104) will be transferred to the new facility over a period of two days. A fill up rate of 4 residents per week is assumed consistent with previous CON application instructions until 92% nursing facility occupancy is realized and maintained based on operational experience. No mathematical formula was utilized.

This is consistent with the following other provider of choice Alamance County nursing facilities that had similar occupancy rates based on most recent license renewal application data. (See Exhibit 5):

<i>Facility</i>	<i>Occupancy Rate</i>
<i>Alamance Health Care Center</i>	<i>90.77%</i>
<i>Liberty Commons Nursing and Rehab</i>	<i>91.25%</i>
<i>Twin Lakes Memory Care</i>	<i>99.13%</i>

The applicants' projected utilization is based on reasonable assumptions regarding the increased number of private rooms and the other planned improvements to the overall size and functionality of the proposed replacement facility. The applicants adequately demonstrate the need to replace the 120-bed Peak Resources-Alamance nursing facility in Alamance County. See Exhibit 8 for letters from current residents expressing support for the relocation of Peak Resources-Alamance. Exhibit 12 contains support letters from numerous community members and community organizations.

Access

In Sections VI.3 and VI.4, pages 44-45, the applicants project 74% of NF patient days will come from patients receiving Medicaid. The applicants state:

“Projection of patient days by payor source was based upon operational experience and prior history.

...

Financial circumstances have no bearing on the resident status. A private pay patient that becomes Medicaid eligible will simply have their services paid by the Medicaid program.”

All current residents are expected to relocate to the proposed replacement 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.

C

The applicants propose to replace Peak Resources-Alamance by relocating it to a newly constructed facility located in Graham and only two miles from the existing facility. The total number of licensed beds at the proposed replacement facility will remain the same. Peak Resources-Alamance will be geographically accessible to the same population currently being served at the existing facility. The applicants expect all current residents to relocate to the new facility. The applicants do not expect the relocation of the facility to have a negative effect on the ability of low income persons, racial and ethnic minorities, women, handicapped person, the elderly and other underserved groups to obtain the proposed services. The applicants project 74% of residents will be Medicaid recipients.

The applicants demonstrate that the relocation and replacement of the beds will have a positive effect on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed nursing 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 20-21, 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 utilize the existing physical plant; however, they deemed this alternative to be undesirable relative to the quality of life of the existing residents and the financial viability of the facility.
2. Renovate the existing facility – the applicants state that they explored the possibility of renovating the existing facility. This alternative was deemed to be an expensive band-aid approach that would fail to improve the quality of life and safety of the residents for the long-term.
3. Construct a replacement facility on the existing site – the applicants quickly determined the construction of a replacement facility on the existing site to be a non-workable alternative. The existing site is not large enough for a new building to be constructed while continuing to house the residents in the existing building.

4. Relocate the beds and construct a new facility – the applicants state that this alternative affords its residents modern amenities and privacy features to enhance their quality of life. Not only is this alternative the most appropriate from a health planning standpoint, suggest the applicants, but it is the least costly, most effective from a financial perspective, as well, stating:

“Under the current Medicaid reimbursement methodology, the Medicaid program provides financial assistance to providers who build new buildings. This methodology was not adopted simply as a way to provide more money to operators of nursing homes, but rather as an incentive to providers to build new buildings in an effort to keep our elderly population out of old buildings in states of disrepair.”

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 Peak Resources-Alamance’s need to relocate the 120 NF beds to a newly constructed facility. Consequently, the application is conforming to this criterion and is approved subject to the following conditions.

1. **Peak of Graham, LLC and Peak Resources-Alamance, Inc. shall materially comply with all representations made in the certificate of need application.**
2. **Peak of Graham, LLC and Peak Resources-Alamance, Inc. shall construct a replacement nursing facility which shall be licensed for no more than 120 nursing facility beds upon project completion.**
3. **For the first two years of operation following completion of the project, Peak of Graham, LLC and Peak Resources-Alamance, Inc. 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. **Peak of Graham, LLC and Peak Resources-Alamance, Inc. shall develop and implement an Energy Efficiency and Sustainability Plan for the replacement facility that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**

5. **Peak of Graham, LLC and Peak Resources-Alamance, Inc. 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.

C

In Section VIII.1, page 55, the applicants project that the total capital cost of the project will be \$11,576,620 as shown in the table below.

Project Capital Costs

Site Costs, including land	\$1,367,500
Construction Contract	\$8,659,500
Equipment/Furniture	\$900,000
Consultant Fees	\$235,000
Financing Costs	\$114,620
Interest During Construction	\$300,000
Total Capital Cost	\$11,576,620

Exhibit 33 contains letters from the architect which state that total estimated construction costs are \$8,659,500, with additional site costs of \$850,000 and architectural fees of \$200,000, which is consistent with the information provided by the applicants in Section VIII.

In Section VIII.2, page 56, the applicants show the total cost of the project will be financed with a commercial loan of \$9,261,296 and current assets of \$2,315,324. Exhibit 17 contains a letter from Bank of North Carolina Senior Vice President confirming its interest in financing the project, secured by a first deed of trust. Exhibit 18 contains the proposed amortization schedule for the loan.

Exhibit 19 contains a letter from Mr. Harold Nunn, the President of Peak Resources-Alamance, Inc. and Member/Manager of Peak of Graham, LLC which states:

“As the President of Peak Resources-Alamance, Inc, and Member/Manager of Peak of Graham, LLC I pledge to reserve approximately \$2,350,000 in cash or cash equivalents identified in my most recent personal financial statement for relocation of our nursing facility and construction of a new building in Alamance County.

...

I am also authorized to obligate funds of [sic] behalf of both of these entities and confirm that the funds referenced in the letter from Bank of North Carolina filed as an exhibit in this application will be utilized solely for the construction of this replacement facility in Alamance County.”

Exhibit 20 contains a copy of the “*Personal Financial Statement*” for Harold P. and Deborah J. Nunn as of June 12, 2014, showing approximately \$1.6 million cash on hand, \$10.4 million in stocks, \$5.5 million in receivables, total assets of \$105,247,000 and total net assets of \$58,340,000 (total assets less total liabilities).

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 63, the applicants project per diem rates and charges by payor source for the first two operating years (October 1, 2016 – September 30, 2018) following completion of the project, as shown in the following table.

Projected Per Diem Reimbursement Rates/Charges

Nursing Unit	Private Room	Semi-Private Room
Private Pay	\$ 270.00	\$ 250.00
Medicare*	\$ 413.94	\$ 413.94
Medicaid	\$ 180.83	\$ 180.83
Other (Hospice)	\$ 180.83	\$ 180.83

*Medicare charge should be the weighted average of the facility’s RUG rates.

The applicants provide pro forma financial statements for the first two federal fiscal years of operation following completion of the project, as required in Section X of the application. The applicants project revenues will exceed operating expenses in each of the first two operating years of the project, as illustrated in the tables below.

Project Year One October 1, 2016-September 30, 2017	Nursing Facility Beds
Projected # of Patient Days	39,715
Projected Average Charge	\$ 228
Gross Patient Revenue	\$ 9,038,916
Total Operating Expenses	\$ 8,732,166
Net Income	\$ 306,750

Project Year Two October 1, 2017-September 30, 2018	Nursing Facility Beds
Projected # of Patient Days	40,296
Projected Average Charge	\$ 228
Gross Patient Revenue	\$ 9,171,013
Total Operating Expenses	\$ 8,779,570
Net Income	\$ 391,443

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Exhibit 24 for the assumptions regarding costs and charges. The discussion regarding analysis of need in Criterion (3) is incorporated herein by reference.

In summary, the applicants adequately demonstrate the availability of funds for the capital needs of the proposal and adequately demonstrate 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

The applicants do not propose to develop additional nursing facility beds. Rather, the applicants propose to replace and relocate 120 existing nursing facility beds within Alamance County. The applicants state that the existing facility is over 38 years old and in poor condition. The proposed location is two miles from the current location. All current residents are expected to relocate to the replacement facility. See Exhibit 8 for letters from current residents and family members showing support for the proposed relocation of Peak Resources-Alamance.

The following table shows the existing and approved nursing facility beds located in Alamance County, per page 192 of the 2014 SMFP. The utilization figure is calculated from information submitted on days of care on each facility's 2014 License Renewal Application.

Inventory and Utilization of Nursing Home Beds in Alamance County

Facility Name	# of Beds	Days of Care	Utilization
Alamance Health Care Center	180	59,638	90.8%
Edgewood Place at the Village at Brookwood	105	32,297	84.3%
Liberty Commons Nursing & Rehab Center of Alamance Co.	90	32,297	91.3%
Peak Resources - Alamance	120	29,976	86.7%
The Presbyterian Home of Hawfields*	117	37,967	185.6%
Twin Lakes Community	100	79,272	88.8%
Twin Lakes Community Memory Care	16	32,413	99.1%
White Oak Manor – Burlington	160	5,789	85.8%

*The days of care as reported on the LRA are inaccurate. As of September 30, 2013, the facility reported 90 of 117 beds as occupied. This represents 76.9% utilization as of that date.

As shown in the table above, all the Alamance County nursing facilities reported utilization above 84%. However, The Presbyterian Home of Hawfields reported utilization of 185% based on what appears to be inaccurately reported days of care; therefore, the analyst used the number of beds reported as occupied as of September 30, 2013 to calculate utilization as of that date, which results in a utilization rate of 76.9%. The average utilization rate for the eight facilities in Alamance County, using the newly calculated rate is 87.9%.

The applicants adequately demonstrate the need to replace and relocate the 120 NF beds from the existing outdated facility to a new facility nearby. The discussion regarding analysis of need in Criterion (3) is incorporated herein by reference. Also, the applicants reasonably project utilization of the 120-bed facility will be 92 percent of capacity by the second full fiscal year 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 nursing service capabilities or facilities in Alamance 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, pages 52-53, the applicants project the following staff for the second full federal fiscal year of the proposed project, as illustrated in the table below:

Position	Salary	NF FTEs
Director of Nursing	\$93,600	1.00
Staff Development Coordinator	\$57,200	1.00
MDS Nurse	\$63,440	3.00
RNs	\$55,447	12.00
LPNs	\$43,402	12.00
Certified Nursing Assistants	\$20,945	44.00
Ward Secretary	\$36,025	2.00
Medical Records Consultant	\$33,280	1.00
Social Services Director	\$43,680	1.00
Social Services Assistant	\$24,900	1.00
Activity Director	\$35,360	1.00
Activity Assistant	\$20,500	1.00
Maintenance Supervisor	\$37,897	1.00
Maintenance Tech/Security	\$20,800	1.00
Administrator	\$108,160	1.00
AP/Payroll	\$36,067	1.00
Admissions Coordinator	\$36,067	1.00
Bookkeeper	\$52,000	1.00
Receptionist/HR	\$29,120	1.40
Total FTEs		87.40

The applicants project direct care nursing staff hours per patient day for the second full federal fiscal year as follows:

**Direct Care Nursing Staff Hours per Patient Day
 2nd Full Federal Fiscal Year
 (October 1, 2017- September 30, 2018)**

	RN's	LPN's	Aides	Total
Total Nursing				
A. Number of FTEs	12.00	12.00	44.00	68.00
B. Number of Nursing Hours per year per FTE	2,080	2,080	2,080	2,080
C. Total nursing hours per year (A x B)	24,960	24,960	91,520	141,440
D. Number of Patient Days (Table IV.2)	40,296	40,296	40,296	40,296
E. Nursing hours per patient day (C/D)	0.62	0.62	2.27	3.51

The applicants state that dietary and housekeeping/laundry services are provided by an outside contractor. These costs are included in the pro forma financial statements. The applicants list the following consultants and related fees paid by the facility:

Consultant	Fee Per Hour	NF Hours	Total Fee
Medical Director	\$ 150	360	\$54,000
Pharmacy Consultant	\$ 75	96	\$7,200

In Section II, page 15, the applicants also identify physical therapy, speech therapy and occupational therapy as facility paid consultants and include them in ancillary services in Form C of the pro forma financial statements. Exhibit 10 contains a letter from the current Medical Director expressing support for the Peak Resources-Alamance relocation project and intent to continue as Medical Director. Exhibit 11 contains letters from other Alamance County healthcare providers and health related organizations, including the Nurse Practitioner expressing interest in continuing to provide services to the facility. Exhibit 16 contains letters from the current Peak Resources-Alamance pharmacy consultant, therapy provider and dietician expressing their intent to continue to provide those services for the relocated facility.

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

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

C

In Section II.3, pages 14-15, the applicants list the ancillary and support services that will be provided by the facility or made available through agreements with other providers, including nursing, therapy, dietary, transportation, dentistry, physician, pastoral care, and beauty and barber services. In Exhibit 16 the applicants provide copies of letters from the Pharmacy Consultant, Registered Dietician and Summit Therapy, committing to the provision of pharmacy consultation, dietician services and therapy services, respectively. Exhibit 10 contains a letter from the facility's Medical Director. Letters from other area healthcare providers and health organizations are presented in Exhibit 11. In Section V.2, page 45, the applicants state that the existing facility currently has transfer agreements with University of North Carolina Hospitals, Alamance Regional Medical Center, and Moses H. Cone Memorial Hospital.

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.

C

The applicants propose to construct a 120-bed replacement facility consisting of 69,276 square feet. The replacement facility will have 52 private nursing facility rooms, 34 semiprivate nursing facility rooms (68 beds), all with private baths.

On Line 7 of Table VIII.1, in Section VIII.1, page 55, the "*Cost of construction contract(s)*" is listed as \$8,659,500. This is consistent with a statement by the applicants' architectural

firm, in Exhibit 33, that construction costs are \$125 per square foot ($\$125 \times 69,276 = \$8,659,500$). The letter states:

“We examined the feasibility of several design alternatives for the construction of a 120 bed nursing facility. Based on our selected design (69,276 S.F.), I would estimate that the square foot cost for new construction will be approximately \$125.00 for a total new building budget of \$8,659,500.”

In Section XI.14, page 76, the applicants discuss various techniques and policies they will implement to address energy efficiency and water conservation, including:

- the exterior envelope of the building is designed with high insulation values
- construction with energy efficient insulation, consistent with existing building codes;
- insulated windows, energy efficient split heating and cooling equipment and energy efficient appliances;
- programmable thermostats, energy efficient fluorescent lighting and LED lighting, and dual level switching;
- motion sensors for lighting in common areas and a central lighting control system; and
- the use of low flow toilets in general area bathrooms, and on demand gas water heaters with a recirculation loop.

The applicants adequately demonstrate that the cost, design, and means of construction represent the most reasonable alternative, that energy saving features have been incorporated into the construction plans, and that the construction costs will not unduly increase costs and charges for health services. The discussion regarding costs and charges 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;

C

In Section VI.2, page 43, the applicants provide the payor mix based on Peak Resources-Alamance’s most recent cost report, October 2012 – September 2013, as shown in the table below.

Payor Category	NF Patient Days as Percent of Total
Private Pay	4.53%
Medicare	16.89%
Medicaid	76.87%
Other (Hospice)	1.71%
Total	100.0%

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 Alamance, Orange, Guilford and Rockingham counties (93.5% of the Peak Resources-Alamance patient origin) and statewide.

	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) *
Alamance County	16.4%	6.2%	21.0%
Orange County	8.6%	3.5%	18.9%
Guilford County	15.3%	5.9%	19.5%
Rockingham County	19.9%	9.3%	19.0%
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 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;

C

In Section VI.4(a), page 44, the applicants state services are provided on a first come-first served basis with emphasis on difficult to place residents. See Exhibit 14 for the Admissions Agreement. In Section VI.4(c), page 45, the applicants state:

“Financial circumstances have no bearing on the resident status. A private pay patient that becomes Medicaid eligible will simply have their services paid by the Medicaid program.”

In Section VI.5(a), page 45, the applicants state they are not aware of any civil rights access complaints having been filed against them. 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 44, the applicants project the payor mix for the second operating year (October 1, 2017- September 30, 2018), as illustrated in the table below:

Payer Category	NF Patient Days as Percent of Total
Private Pay	8.00%
Medicare	17.00%
Medicaid	74.00%
Other (Hospice)	1.00%
Total	100.0%

In Section III.3, page 25, the applicants state:

“The average Medicaid occupancy rate in Alamance County nursing facilities was approximately 58% based on most recent license renewal data (See Exhibit 5). The applicant is proposing a nursing facility Medicaid utilization of 74%, which exceeds the county average.”

The applicants demonstrate that the proposed replacement nursing facility 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.

C

In Section VI.6, page 45, the applicants state:

“Peak Resources-Alamance is an existing facility and currently receives referrals from a number of sources including local physicians, local department of social services, and local hospitals. Examples of referral sources include the following:

*Alamance Regional Medical Center
The Moses H. Cone Memorial Hospital
NC Memorial Hospital”*

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

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

C

In Section V.1, page 39, the applicants state:

“See Exhibit 9. Peak Resources-Alamance is not currently providing this service but anticipates to begin providing this service in the near future.”

Exhibit 9 contains a copy of a letter from the Peak Resources-Alamance administrator to Alamance Community College offering Peak Resources-Alamance as a clinical training site.

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

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

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

C

The applicants propose to relocate 120 nursing facility beds to a newly constructed replacement facility in Graham, Alamance County, approximately two miles from the existing facility.

The following table shows the existing and approved nursing facility beds located in Alamance County, per page 192 of the 2014 SMFP. The utilization figure is calculated from information submitted on days of care on each facility’s 2014 License Renewal Application.

Inventory and Utilization of Nursing Home Beds in Alamance County

Facility Name	# of Beds	Days of Care	Utilization
Alamance Health Care Center	180	59,638	90.8%
Edgewood Place at the Village at Brookwood	105	32,297	84.3%
Liberty Commons Nursing & Rehab Center of Alamance Co.	90	32,297	91.3%
Peak Resources - Alamance	120	29,976	86.7%
The Presbyterian Home of Hawfields*	117	37,967	185.6%
Twin Lakes Community	100	79,272	88.8%
Twin Lakes Community Memory Care	16	32,413	99.1%
White Oak Manor – Burlington	160	5,789	85.8%

*The days of care as reported on the LRA are inaccurate. As of September 30, 2013, the facility reported 90 of 117 beds as occupied. This represents 76.9% utilization as of that date.

In Section V.6, pages 41-42, the applicants discuss how any enhanced competition in the service area will have a positive impact upon the cost-effectiveness, quality, and access to the proposed services. The applicants state:

“Relocating these beds will have nothing but a positive impact on the quality of care and access to the medically underserved. The new building will have a large number of private rooms and more and larger common areas. Notwithstanding any other impact realized by the proposed project, just by virtue of the fact all the residents will be in a new physical plant, the quality of care and quality of life of the residents will be increased.”

The applicants also state their belief that the new building will be important to employees and that the increased employee morale and positive outlook will translate directly into better patient care. The applicants further state:

“The percentage of nursing facility Medicaid residents served in the county based on most recent license renewal applications is approximately 58%”

The applicants project that 74% of residents will be Medicaid recipients.

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 replace and relocate the 120 nursing facility beds within Alamance 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 Peak Resources-Alamance will continue to provide quality services. The discussions regarding quality found in Criteria (1) and (20) are incorporated herein by reference.
- The applicants adequately demonstrate that Peak Resources-Alamance 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.

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.

C

Peak Resources-Alamance is certified for Medicare and Medicaid participation. According to files in the Nursing Home and Licensure and Certification Section in the Division of Health Service Regulation, no incidents have occurred at Peak Resources-Alamance within the eighteen months immediately preceding the date of submission of the application through the date of the decision for which certification deficiencies that constitute substandard quality of care were imposed on the facility. 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.

NA

The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services, promulgated in 10A NCAC 14C .1100, are not applicable because the applicants do not propose to establish new nursing facility or adult care home beds.