

## ATTACHMENT – REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA – Conditional

NC – Nonconforming

NA = Not Applicable

Decision Date: March 30, 2015

Findings Date: March 30, 2015

Project Analyst: Tanya S. Rupp

Team Leader: Lisa Pittman

Project ID #: G-10359-14

Facility: Brookstone Terrace

FID #: 970694

County: Forsyth

Applicant(s): Brookstone of Clemmons, LLC and BYPeterson Properties, LLC d/b/a Brookstone Terrace

Project: Replace and relocate 18 adult care home beds (13 from The Crest of Clemmons and 5 from Brookstone Terrace) and convert the 18 adult care home beds to special care unit beds

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants for this proposal are identified in Section I, page 7 as Brookstone of Clemmons, LLC and BYPeterson Properties, LLC. D. Gray Angell, Jr. owns Brookstone of Clemmons, LLC. D. Gray Angell, Jr. also owns The Crest of Clemmons, a 96-bed adult care home in Clemmons, from which 13 licensed but unoccupied beds are proposed to be relocated. BYPeterson Properties, LLC owns Brookstone Terrace, a 40-bed adult care home facility in Clemmons, with 20 regular adult care home (ACH) beds and 20 special care unit (SCU) beds. In Section III.1, page 64, the applicants state that Brookstone Terrace is a single story facility that averages 90% occupancy. The applicants also state that some of the semi-private rooms at Brookstone Terrace are used for private pay patients because of a lack of

private rooms. In Section III.1, page 65, the applicants state The Crest of Clemmons has no private rooms, and is an older three-story facility. Like Brookstone Terrace, some existing semi-private rooms are used for private pay patients; therefore, the facility operates at functional capacity. In this application, the applicants propose to construct an 18-bed addition to Brookstone Terrace on property that is directly adjacent to the existing facility. The applicants propose to replace and relocate 13 existing, licensed ACH beds from The Crest of Clemmons and five existing, licensed ACH beds from Brookstone Terrace to the new addition. The applicants propose to license all 18 beds as SCU beds; therefore, the new addition will be an 18-bed self-contained special care unit. At project completion, the applicants propose to have a total of 53 beds at Brookstone Terrace as follows: the new SCU wing will have 16 private and two semi-private SCU beds, for a total of 18 SCU beds. The existing Brookstone Terrace building will have 35 total beds [15 ACH beds and 20 SCU beds]. In addition, at project completion, The Crest of Clemmons will de-license the 13 ACH beds to be relocated, and will have a total of 83 ACH beds [13 private beds and 70 semi-private beds].

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).

However, the following policies are applicable to this review:

- Policy LTC-2: Relocation of Adult Care Home Beds
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

**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.”*

Both the existing and proposed locations are in Clemmons, in Forsyth County. Therefore, the number of licensed ACH beds in Forsyth County will not change as a result of this proposal. The application is consistent with Policy LTC-2.

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

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

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

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

In Section III.4, page 80, and in Exhibit 21, the applicants describe the proposed project’s plan to assure improved energy efficiency and water conservation. The application is consistent with Policy GEN-4.

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

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

C

Brookstone Terrace and The Crest of Clemmons are existing ACH facilities in Clemmons, in Forsyth County. Brookstone Terrace is currently licensed for 40 ACH beds, 20 of which are SCU beds. The Crest of Clemmons is currently licensed for 96 ACH beds. In this application, the applicants propose to construct an addition to Brookstone Terrace on

adjacent property currently owned by BYPeterson Properties, LLC. The applicants propose to replace and relocate 13 existing, licensed ACH beds that are currently unoccupied from The Crest of Clemmons, to replace and relocate five existing, licensed ACH beds from Brookstone Terrace, and to convert those 18 beds to SCU beds. The applicants propose to develop an 18-bed self-contained special care unit in the new addition. In addition, the applicants propose that 16 of the relocated beds in the new SCU addition will be private, and 2 will be semi-private beds, in response to patient demand for additional private rooms in Forsyth County.

Population to be Served

In Section III.6, page 82, and in supplemental information provided to the Agency, the applicants provide the current patient origin at Brookstone Terrace, as illustrated in the table below.

Brookstone Terrace Patient Origin by County, 2014

COUNTY	% OF TOTAL ACH ADMISSIONS
Forsyth	67.6%
Buncombe	2.9%
Davie	11.8%
Davidson	5.9%
Iredell	2.9%
Yadkin	2.9%
Out of State	5.9%
Total	100.0%

In Section III.7, page 83, and in supplemental information provided to the Agency, the applicants project patient origin for Brookstone Terrace in the first full federal fiscal year following project completion, as illustrated in the table below:

Brookstone Terrace Patient Origin by County  
 First Full FFY following project Completion (FFY 2017)

COUNTY	% OF TOTAL ACH ADMISSIONS
Forsyth	67.6%
Buncombe	2.9%
Davie	11.8%
Davidson	5.9%
Iredell	2.9%
Yadkin	2.9%
Out of State	5.9%
Total	100.0%

On page 83, the applicants state they do not anticipate any change in patient origin following the addition to Brookstone Terrace.

The applicants adequately identify the population to be served.

### Analysis of Need

In Section III.1, pages 64 - 74, the applicants describe the need to replace and relocate 13 existing ACH beds from The Crest of Clemmons to the proposed Brookstone Terrace addition, the need to replace and relocate five existing ACH beds from the current ACH facility at Brookstone Terrace to the proposed addition, and the need to convert the 18 ACH beds to SCU beds. The applicants state that The Crest of Clemmons is often at full functional occupancy, even though the actual utilization rates are low, because semi-private rooms are frequently used as private rooms in response to demand. Specifically, the applicants provide the following points to summarize the need to replace and relocate 18 ACH beds and convert those beds to SCU beds:

- 13 ACH beds are currently unoccupied at The Crest of Clemmons;
- The a lack of space at The Crest of Clemmons for a facility addition;
- There is a waiting list for ACH and SCU beds at Brookstone Terrace;
- The population of persons age 55 and over in Forsyth County is projected to increase;
- Forsyth County has a higher use rate for ACH beds than is forecast in the methodology in the 2014 State Medical Facilities Plan (SMFP);
- There are a limited number of ACH beds in Forsyth County that are actually available;
- There is a need in Forsyth County for more ACH beds for patients covered by Medicaid;
- There is a need for additional SCU beds in Forsyth County;
- There is a need for more ACH beds in Forsyth County with competitive fixed rate pricing.

Each of these points are discussed in more detail below.

### Use of Semi-Private Rooms at The Crest of Clemmons

In Section III.1, pages 64 – 65, the applicant states:

*“Brookstone Terrace has 40 adult care beds that are and stay approximately 90 percent occupied, as noted in Section IV.1. Patient preference for private rooms means that some of its semi-private rooms are used for single occupancy. Thus, the facility is virtually full and stays full. On September 15, 2014, it had 38 people on a waiting list. The next week, 12 were ready for admission and four of those needed memory support. On the list, 15, (39 percent) were Medicaid beneficiaries. The rest were private pay (61 percent).*

*Brookstone Terrace is an attractive facility [that] offers a competitive flat monthly fee that makes budgeting easy for residents and their caregivers. It is relatively*

*small, so staff knows the residents, their families, and their preferences. These features are known in the community and keep the waiting list full.*

*The Crest of Clemmons is a 96-bed facility, which, at the time of this application, has common ownership with Brookstone Terrace. The Crest of Clemmons had only 56 residents in July 2013. Occupancy has remained virtually constant for three years.*

...

*The Crest of Clemmons is an older three-story facility that enjoys a good reputation. However, most of its rooms are semi-private. With residents using the semi-private rooms for private occupancy, the facility operates at virtual capacity. The building is also landlocked and the design does not lend itself to expansion. As a result, except in circumstances where semi-private occupancy can be made to work, The Crest of Clemmons will always have beds that are effectively un-available. The owner has agreed to transfer beds to Brookstone Terrace, upon approval of this application, as is documented in a letter in Exhibit 4.”*

On page 65, the applicants provide a table, reproduced below, to illustrate occupancy at The Crest of Clemmons for the past three years. The applicants report that the data was obtained from License Renewal Applications and communication with the facility.

**The Crest of Clemmons Occupancy**

	AUGUST 1, 2011	JULY 31, 2013	OCTOBER 14, 2014
Beds	96	96	96
Residents	54	56	68
Occupancy	56.2%	58.3%	70.8%
Medicaid Residents	26	27	N/A
Private Pay Residents	28	29	N/A

Population Growth of Persons Age 55 and Over in Forsyth County

In Section III.1, pages 65 – 67, the applicants state the population of persons aged 55 and above, which is the age group most likely to utilize adult care services in Forsyth County is projected to grow faster than other population cohorts, as forecast by the North Carolina Office of State Budget and Management. On page 66, the applicants provide a table that illustrates that projected growth in population. The applicants focus their methodology on the years from 2014 to 2019. The analyst created a table, using the totals from the table on page 66, to illustrate projected growth in the 55 + population compared to the population as a whole in Forsyth County, for the years 2014 through 2019.

**Forsyth County Population Projections 2014 - 2019**

AGE GROUP	2014	20015	2016	2017	2018	2019	% CHANGE
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							(2014 – 2019)
0 – 55	265,607	265,514	265,440	265,400	265,356	265,356	-0.1%
55 +	97,604	100,220	102,717	105,089	107,375	109,531	12.2%
Total	363,211	365,724	368,159	370,489	372,731	374,887	3.2%
% Total >55	27%	27%	28%	28%	29%	29%	

The applicants’ data shows that the age group most likely to utilize ACH services (age 55 +) is projected to grow at a faster rate than the population as a whole. In fact, the data shows that the total of persons under age 55 is projected to experience a negative population growth during that same time period. Furthermore, the data shows that the 55+ age group is projected to comprise nearly one third of the entire population of Forsyth County in the years 2014 through 2019.

*Forsyth County ACH Use Rates and the Limited Number of Actually Available ACH Beds*

In Section III.1, page 67, the applicants state:

*“According to data on Adult Care Home License renewal applications, which are summarized in Exhibit 26, the mean reported occupancy of adult care beds that were open in Forsyth County Adult Care Home (ACH) beds in 2013 was 81 percent. Average occupancy for the Forsyth County inventory was 78 percent. That includes 96 beds that were not open at the time. Special Care unit beds, which serve persons who have memory impairment, were 84.4% occupied.*

*The 2014 SMFP methodology for ACH, Table 11B on page 243, projects a need for 1,352 ACH beds in 2017; yet actual data from License Renewal Application one-day surveys showed actual use of 1,741 beds in Forsyth County in 2013. Clearly, the 2014 State Medical Facilities Plan methodology overstates the surplus. Moreover, many beds in the ACH inventory are virtually unavailable:*

*The inventory of 2,220 ACH beds includes 898 that had restricted use in 2013. The restricted use beds alone account for the calculated surplus of 868 ACH beds by 2017.*

*The restricted use beds include: 250, or 11.7 percent, are in Continuing Care Retirement Communities (CCRC), or in CCRC look-alikes. These are not available to the general population. Moreover, CCRC beds in the county were at virtual capacity in 2013, according to data in license renewal applications for 2014.”*

According to the applicants, the surplus of ACH beds is overstated in part due to the fact that many private pay patients are utilizing semi-private rooms due to a lack of private rooms in Forsyth County.

In Section III.1, page 68, the applicants state:

*“Another 96 beds at Carillion were not opened in 2013, though they will be when the proposed project is operational. Like The Crest of Clemmons, many facilities have responded to resident demand by using semi private rooms for private occupancy. Four of the general adult facilities with 331 beds are in 30+ year old buildings; have beds in wards and none in private rooms. These (Clemmons Village 1, Creekside Manor, Heritage Woods, and Salem Terrace) also account for half of the facilities that reported occupancy below 50 percent. Three facilities, CRT Golden Lamb Rest Home, Cornerstone Living Center, and Forsyth Village account for 221 beds that serve primarily persons who have mental health issues.”*

*Need in Forsyth County for Additional ACH Beds for Persons Covered by Medicaid*

In Section III.1, page 68, the applicants state:

*“In July 2013, according to information in License Renewal Applications, only 575 of the occupied ACH beds in Forsyth County or 33 percent were Medicaid beneficiaries and 15 of the 38 persons on the Brookstone Terrace waiting list on September 16, 2014 were Medicaid beneficiaries. To be on the waiting list, a Medicaid beneficiary must be ready for admission. The need for Medicaid adult care beds exceeds the number of beds the applicants propose to relocate.”*

The Division of Medical Assistance in North Carolina publishes statistics that evaluate the number of persons eligible for Medicaid in each county in the state. According to that website, those persons eligible for Medicaid in Forsyth County comprised 16% of the total population of Forsyth County in 2009, compared with 17% in the state as a whole.

*Need for Additional SCU Beds in Forsyth County*

In Section III.1, page 68, the applicants discuss the rate of Alzheimer’s disease and other dementia/memory loss illnesses in Forsyth County and the need for SCU beds to provide care for those patients. The applicants state:

*“Brookstone Terrace waiting list in September 16, 2014 included seven persons waiting for a Special Care Unit (SCU) bed. Moreover, according to 2014 license renewal applications, the 405 Alzheimer’s /SCU beds in Forsyth County were 84.4 percent occupied in 2013. ...*

*According to data published by the Alzheimer’s Association, the incidence of Alzheimer’s and related dementia increases with age.”*

The applicants provide a table on page 68, reproduced below, to illustrate the projections regarding the incidence of Alzheimer’s, as reported by information from the Alzheimer’s Association from 2013:



Incidence of Alzheimer's 65+	11%
Incidence of Alzheimer's 85+	32%
Admission to NH for Those Over 80	75%

In Section III.1, page 69, the applicants provide a table that illustrates the projected growth in those persons age 65 + and 85 + for the years 2013 through 2020, as reported by the NC State Office of Budget and Management. See the following table:

**Table III.7 – Forsyth County Population Over 65**

	2013	2014	2015	2016	2017	2018	2019	2020
Age 65 +	50,565	52,347	53,937	55,503	57,257	58,952	60,653	62,420
% Growth	3.65%	3.53%	3.04%	2.90%	3.16%	2.96%	2.89%	2.91%
Age 85 +	6,687	6,876	7,056	7,165	7,264	7,317	7,336	7,404
% Growth	2.92%	2.83%	2.62%	1.54%	1.38%	0.73%	0.26%	0.93%

On page 69, the applicants state:

*“Combining data from the Alzheimer's Association and the State Office of Budget and Management (NCOSBM), the applicants forecast that by 2019, the third project year, Forsyth County will have 208 more people over 85 with Alzheimer's. (increase of 650 people over 85 times 32 percent with Alzheimer's).*

*According to a recent study, approximately 52 percent of all persons with Alzheimer's disease have moderate or severe Alzheimer's disease. Please see Exhibit 24. According to the North Carolina Division of Aging and Adult Services, 70 percent of persons with Alzheimer's disease will receive care at home or in the community by family and friends. This leaves the remaining 30 percent as candidates for institutional care. Please see Exhibit 25 Therefore, Forsyth County could need as many as 636 additional SCU Alzheimer's beds by 2019. Please see the table below. This table assumes that all Forsyth County persons in need get care in Forsyth County and conversely, that there is no in-migration. Neither are true, but the table shows that the need will far outstrip the number of beds available.”*

The table found on page 70 is reproduced below:

**Table III.8 –  
 Need for Additional Alzheimer's SCU Beds in Forsyth County**

		2019
a	Population Age 65+	60,653
b	Percent with Alzheimer's	11.0%
c	Number With Alzheimer's(a * b)	6,672
d	Percent With Moderate/Severe Alzheimer's	52.0%
e	Number With Moderate/Severe Alzheimer's (c * d)	3,469
f	Percent Institutional Care	30.0%
g	Number Institutional Care (e * f)	1,041

h	SCU Alzheimer's Beds (from 2011 License Renewal Apps)	405
i	Additional SCU Alzheimer's Beds Needed (g – h)	636

Need for More ACH Beds With Competitive Fixed Rate Pricing

In Section III.1, page 70, the applicants state:

*“With each year after age 65, the likelihood of a person living on fixed income increases, even with current trends to delay retirement. On a fixed income, it is particularly important that costs be predictable. Brookstone Terrace offers a highly desirable charge structure that is not available in many adult care homes. The monthly fee is fixed. The facility charges no extras. With this, a resident or caregiver can predictably budget for a resident's care each year.”*

**Adjusted ACH Bed Need**

In Section III.1, pages 71 – 74, the applicants calculate an adjusted need determination of ACH beds in Forsyth County in a six-step methodology, based on their experience and methodology presented below. The applicants add that some patients who are admitted to ACH beds in Forsyth County may not actually reside in the county at the time of admission, although once admitted they become residents of the county. The methodology follows:

Step 1: Calculate the population of Forsyth County through 2019

On page 71, the applicants provide a table, reproduced below, to illustrate projected population growth in Forsyth County from 2014 through 2019:

**Table III.9 – Forsyth County Population by Age Group**

AGE GROUP	2014	2015	2016	2017	2018	2019
> 35	169,608	169,950	170,497	171,108	171,656	172,285
35 – 64	141,256	141,847	142,157	142,124	142,123	141,949
65 – 74	29,843	31,158	32,385	33,602	34,673	35,821
75 – 84	15,628	15,723	15,953	16,391	16,962	17,496
85 +	6,876	7,056	7,165	7,264	7,317	7,336

Step 2: Calculate Use Rates by Dividing by 1,000 and Multiplying by 2014 SMFP Trended Use Rates

On page 71 the applicants provide the use rates, as shown in the following table, reproduced from the application:

AGE GROUP	BEDS / 1,000 POP.
> 35	0.12*
35 – 64	1.64
65 – 74	6.02

75 – 84	20.73
85 +	75.68

\*In the application on page 71, the applicants’ table shows 1.12; however, the trended use rates, which the applicants are using from page 216 of the 2014 SMFP, shows 0.12.

Taking the data from the table above, the applicants projected the number of ACH beds that will be needed in Forsyth County by year. The applicants divided the population figures from Step 1 by 1,000; and then multiplied that number by the use rate in the second table (number of beds per 1,000 population) [age group 85+, 2014 = (6,876 / 1000) x 75.68 = 520.4]. The following table shows the results:

**Forsyth County ACH Use Rates 2014 - 2019**

AGE GROUP	2014	2015	2016	2017	2018	2019
> 35	20.4	20.4	20.5	20.5	20.6	20.7
35 – 64	231.7	232.6	233.1	233.1	233.1	232.8
65 – 74	179.7	187.6	195.0	202.3	208.7	215.6
75 – 84	324.0	325.9	330.7	339.8	351.6	362.7
85 +	520.4	534.0	542.2	549.7	553.8	555.2
# Beds Needed	1,276	1,301	1,322	1,345	1,368	1,387

Step 3: Calculate Adjustment Factor to Reflect Actual Use

In Section III.1, page 72, the applicants calculated a ratio of actual occupied ACH beds reported in the 2014 License Renewal Applications to the number of ACH beds projected to be needed using the 2014 SMFP trended use rates, as follows:

$$1,741 \text{ occupied beds (per LRAs)} / 1,276 \text{ forecast bed need (SMFP)} = 1.3644$$

Step 4: Multiply the Adjustment Factor/Ratio Calculated Above to the Number of Beds Needed from Step 2

The applicants calculated the “adjusted number of beds needed” as follows [2,217 adjusted beds needed = 1,345 x 1.3644 = 1,835]:

2014	2015	2016	2017	2018	2019
1,741	1,774	1,803	1,836	1,866	1,892

Step 5: Calculate the Number of Beds Available by Subtracting the Beds that are Restricted Use

In Section III.1, page 72, the applicants calculate the “actual” number of beds available by subtracting those beds from the inventory which they state are restricted use: beds in a CCRC, beds serving mental health patients, or semi-private rooms being used as private

rooms. The applicants state that those beds are not available for use by the general population as “regular” ACH beds. See the following table, from page 72:

Beds in Inventory in Table 11B in 2014 SMFP	2,220
Beds Serving Mental Health Patients	-221
One Half of Older Facility Semi-Private Beds	-165.5
CCRC or Restricted Community Beds	-250
Add Back CCRC Adjust from Table 11B in 2014 SMFP	+9
<b>TOTAL ADJUSTED AVAILABLE ACH BEDS</b>	<b>1,593</b>

Nevertheless, the planning inventory in the 2014 SMFP is 2,220 ACH beds in Forsyth County, which includes the 18 beds proposed in this application to be replaced.

In addition, in Exhibit 13, the applicant provides a letter that has been signed in the style of a petition (letter attached to a page with signature and additional information) by 14 Brookstone Terrace residents and one resident family member, for a total of 15 signatures. The letter describes the applicants’ proposal and states, in part:

*“I support Brookstone Terrace’s Certificate of Need project to add adult care beds and develop an additional special care unit. This expansion will allow Brookstone Terrace to offer its high-quality and cost-effective living environment to more seniors in need of a quality adult care home.”*

**Projected Utilization**

In Section IV, pages 85 – 97, the applicants provide assumptions used to project utilization at Brookstone Terrace following project completion. On page 85, the applicants provide a table, reproduced below, that illustrates historical utilization for Brookstone Terrace from November 1, 2013 through July 31, 2014.

	<b>Nov 2013</b>	<b>Dec 2013</b>	<b>Jan 2014</b>	<b>Feb 2014</b>	<b>Mar 2014</b>	<b>Apr 2014</b>	<b>May 2014</b>	<b>Jun 2014</b>	<b>Jul 2014</b>	<b>Total</b>
Pt. Days	996	1,030	1,061	974	1,137	1,133	1,170	1,092	1,109	9,702
No. Beds	40	40	40	40	40	40	40	40	40	40
Occupancy	83.0%	83.1%	85.6%	87.0%	91.7%	94.4%	94.4%	91.0%	89.4%	88.5%

On pages 86 – 90, the applicant provides assumptions in a five-step methodology, as follows:

**Step 1: Determine Current Utilization**

The applicants state that 15 of the 20 ACH beds (75%) were occupied and 20 of the SCU beds (100%) were occupied on September 25, 2014. The applicants state that utilization is “typical.”

Step 2: Project Average Daily Census (ADC) from August 1, 2014 through project operation (September 30, 2016)

The applicants project that the ADC will remain constant at the September 25, 2014 occupancy level from August 1, 2014 through September 30, 2016. The applicants therefore project that the ACH beds will continue to be utilized at 75% (15 of 20 beds) and the SCU beds will continue to be utilized at 100% (20 of 20 beds).

On page 88, the applicants state:

*“Constant average daily census for two years is reasonable because historically, the number of admissions and the number of discharges have been equal. In 2013, there were 19 admissions and 19 discharges, and year to date there are 14 admissions and 14 discharges. Moreover, the facility has a waiting list and the age and size of the county population are both increasing.”*

Step 3: Project fill-up after opening

In Section IV.2, page 86, the applicants state:

*“The fill-up rate per week depends on the three different categories of beds, Assisted Living beds, SCU beds in the existing wing, and SCU beds in the new wing. The existing Assisted Living beds have 15 residents. When Brookstone Terrace reduces the number of Assisted Living beds to 15, these beds will be full and therefore no additional fill up will occur.*

*The existing SCU beds are full at 20 residents; the applicant expects 12 residents to remain in the existing SCU wing, and eight to move to the new SCU wing.*

*In the first month, the new SCU beds are expected to fill at a rate of approximately one per week (4 per month), and to allow for the time it takes for Medicaid approval, the existing SCU beds will add no new residents.*

*After the first month, the beds in the new SCU wing are expected to fill up at approximately three quarters of a resident a week (3 per month), and the beds in the old SCU wing is [sic] expected to fill up at approximately one patient a week (4 per month). This leads to an overall fill rate of approximately 1.75 patients per week (7 per month). The SCU will reach 100 percent capacity by the end of the first quarter of operation, December 2016.”*

On page 89, the applicants state that Brookstone Terrace currently has a waiting list for its SCU beds. In addition, the applicants state they plan to admit additional Medicaid SCU residents. In Exhibit 26, using data from the 2014 LRAs, the applicants provide occupancy rates for all SCU beds in Forsyth County. In addition, the applicants provide data that shows the percentage of Medicaid residents in existing ACH facilities in Forsyth County. The LRAs

do not report payor mix by bed category; therefore, while it is possible to separate SCU bed utilization data from regular ACH bed utilization data, the same is not true for payor mix data per bed category. The data shows that, at the time of reporting for the 2014 LRAs, 1,741 of 2,220 ACH beds in Forsyth County were occupied, which is a 78.4% occupancy rate. Similarly, 342 of 405 SCU beds were occupied, which is an 84.4% occupancy rate. The percentage of Medicaid patients reported on those 2014 LRAs in Forsyth County was 24%. The applicants project that approximately 37% of their patient mix in the SCU beds will be recipients of Medicaid, which represents an increase over the current Forsyth County ACH patient mix.

On page 89, the applicants state:

*“Brookstone Terrace currently has a waiting list for the SCU beds, and discussed with the Department of Social Services the opportunity to admit additional Medicaid SCU residents. Brookstone Terrace assumes that by project, opening Medicaid will need at least the projected eight beds and the waiting list for private pay beds will grow from six to ten. This is reasonable because Brookstone Terrace has a good reputation, is conveniently located, has at or below market pricing, and the need for beds for person with memory impairment is growing.”*

Step 4: Project utilization after fill-up period

On page 89, the applicants project that, once the facility has filled following project completion, the beds will remain at 100% occupancy. The applicants base this projection on the fact that, historically, the number of discharges and admissions have been even: in 2013, the applicants state there were 19 admissions and 19 discharges; and at the time of the application preparation, there were 14 admissions and 14 discharges.

Step 5: Convert beds occupied to days of care by quarter

On pages 90 - 93, the applicants project days of care by quarter by bed in Brookstone Terrace. The analyst reproduced the tables below in one table, since the utilization projections after fill-up do not change:

	1 <sup>ST</sup> QTR 10/1 - 12/31	2 <sup>ND</sup> QTR 1/1 - 3/31	3 <sup>RD</sup> QTR 4/1 - 6/30	4 <sup>TH</sup> QTR 7/1 - 9/30	TOTAL
<b>ADULT CARE HOME BEDS (EXCLUDING SCU)</b>					
Patient Days	1,380	1,350	1,365	1,380	5,475
Number of Beds	15	15	15	15	15
% Occupancy	100.0%	100.0%	100.0%	100.0%	100.0%
<b>SPECIAL CARE UNIT (ALZHEIMER’S / MEMORY IMPAIRMENT)</b>					
Patient Days	2,852	3,420	3,458	3,496	13,226
Number of Beds	38	38	38	38	38
% Occupancy	81.6%	100.0%	100.0%	100.0%	95.4%
<b>TOTAL ADULT CARE HOME</b>					
Patient Days	4,232	4,770	4,823	4,876	18,701
Number of Beds	53	53	53	53	53

% Occupancy	86.8%	100.0%	100.0%	100.0%	96.7%
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The analyst reviewed population projection data from the North Carolina State Office of Budget and Management (NC OSBM) in Forsyth County, as well as a 2014 report published by the Alzheimer’s Association<sup>1</sup>. According to the NCOSBM, the total population of Forsyth County is projected to grow by 3% from July 2015 to July 2020. Additionally, the population in Forsyth County of those persons age 60 – 64, 65 – 74, and 75 – 84 is projected to grow by 11%, 19%, and 14%, respectively, during the same time.

According to the data obtained by the Alzheimer’s Association, the incidence of Alzheimer’s disease<sup>2</sup> in those persons in the age groups 60 – 64 is likely to increase by 23% from 2010 to 2020, while the incidence of Alzheimer’s disease in those aged 75 – 84 is projected to increase by nearly 27% during the same time.<sup>3</sup>

In Exhibit 28, the applicants provide monthly utilization data from Brookstone Terrace for calendar years 2013 and 2014. The data shows that the total utilization for CY 2013 was 90%, with an average of 36 patients in 40 beds. In addition, the total utilization for Brookstone Terrace for CY 2014 was just slightly higher (90.5%). The applicants adequately demonstrate that the need for ACH beds, particularly SCU beds for dementia/memory care patients in Forsyth County is increasing. Furthermore, the applicants adequately demonstrate that there is a need for additional SCU beds in Forsyth County.

Access

In Section VI.1, page 103, the applicants report the following historical payor mix for Brookstone Terrace ACH Beds from October 31, 2013 through September 30, 2014:

PAYOR SOURCE	ACH RESIDENTS	SCU RESIDENTS
Private Pay	100%	50%
Special Assistance with Basic Medicaid	0%	50%
Special Assistance with Enhanced Medicaid	0%	0%
Other	0%	0%
Total	100%	100%

In addition, in the second full federal fiscal year following project completion, the applicants project to serve 47% private pay patients and 53% special assistance with basic Medicaid patients in the SCU beds; and 100% private pay patients in the ACH beds, as reported on page 103.

**Conclusion**

<sup>1</sup> See [http://www.alz.org/downloads/Facts\\_Figures\\_2014.pdf](http://www.alz.org/downloads/Facts_Figures_2014.pdf)

<sup>2</sup> The article distinguishes between *incidence* (the number of new cases) and *prevalence* (the number of existing cases). *Id.*, p. 19.

<sup>3</sup> *Id.*, p. 21.

In summary, the applicants adequately identify the population to be served, and adequately demonstrate the need to replace and relocate 13 existing ACH beds from The Crest of Clemmons to the new addition at Brookstone Terrace. The applicants also adequately demonstrate the need to replace and relocate five existing ACH beds from the existing Brookstone Terrace building to the new addition and to convert the 18 relocated ACH beds to SCU beds in the new addition. Furthermore, the applicants adequately demonstrate the extent to which medically underserved groups will have access to the proposed special care unit beds following the relocation of those beds to the proposed addition. 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 and relocate 13 existing, licensed ACH beds from The Crest of Clemmons in Forsyth County to a proposed addition that will be constructed adjacent to the existing Brookstone Terrace, also in Forsyth County. Both facilities are also in the same town of Clemmons. In Section III.5, page 81, the applicants state:

*“No persons will be displaced or relocated. The 13 beds at The Crest of Clemmons are unoccupied at this time and the 20-bed ALF unit at Brookstone Terrace has only 15 residents, 13 in private rooms, and two in semi-private. Occupancy tends to stay comparable, because residents prefer private rooms.*

*Brookstone Terrace will ... put a halt on admissions ... three to six months prior to the start of construction to be certain that no residents are at risk of displacement.*

*In the unlikely event that these two measure fail, the applicant will move residents to vacant adult care beds at Bermuda Village, which is owned by Gray Angell, a manager member of one of the applicants. Bermuda Village is only two miles from Brookstone Terrace.”*

Furthermore, the applicants project that, by the second project year, 38% of Brookstone Terrace’s patient days will be provided to special assistance/basic Medicaid recipients. At present, no medically underserved residents are being served by the 13 ACH beds proposed to be relocated, since those beds are not currently serving any patients.

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, page 75, the applicants discuss the alternatives considered prior to the submittal of this application, which include:

- 1) Maintain the Status Quo - The applicants dismissed this alternative because it would leave Brookstone Terrace as a very small facility, and The Crest of Clemmons with 13 ACH beds that would remain unoccupied. Doing nothing would also mean that those patients who are on the waiting list for ACH services at Brookstone Terrace would have to wait even longer for services, or even find another facility with no private rooms and/or no SCU bed availability. Therefore, doing nothing would not be in the best interest of those patients in Forsyth County who are in need of ACH and SCU services.
- 2) Add Only ACH Beds – The applicants dismissed this alternative because it ignores the need in Forsyth County for services for those patients with Alzheimer’s or other memory impairment care needs.
- 3) Develop only the 13 ACH beds – the applicants dismissed this alternative when a site visit indicated that the proposed site could accommodate 18 beds, with only two semi-private rooms. In addition, the 18 beds will be converted to SCU beds; thus the project as proposed efficiently accommodates the needs of Forsyth County patients who are in need of ACH and SCU care.
- 4) Relocate 13 ACH beds from The Crest of Commons and five ACH beds from the existing Brookstone Terrace - the applicants concluded that the proposal to replace and relocate 18 ACH beds to the proposed addition, and license the 18 beds as SCU beds represented the most effective alternative to meet the need for ACH and SCU services in Forsyth County, and to provide increased access to those services. Thus, the applicants concluded that the project as proposed was their least costly or most effective alternative.

The applicants propose to replace and relocate 18 ACH beds and convert those 18 beds to SCU beds within the same county. The applicants do not propose to develop any new beds or offer any new services.

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

The applicants adequately demonstrated that the proposal is their least costly or most effective alternative to meet the need to replace and relocate 18 ACH beds, convert those beds

to SCU beds, and develop a new addition to an existing ACH facility. Consequently, the application is conforming to this criterion and is approved subject to the following conditions.

- 1. Brookstone of Clemmons, LLC and BYPeterson Properties, LLC d/b/a Brookstone Terrace shall materially comply with all representations made in the certificate of need application.**
  - 2. Brookstone of Clemmons, LLC and BYPeterson Properties, LLC d/b/a Brookstone Terrace shall relocate no more than 13 ACH beds from The Crest of Clemmons and five ACH beds from Brookstone Terrace to the proposed addition to Brookstone Terrace, and convert those 18 beds to SCU beds, for a facility total of no more than 53 licensed ACH beds at Brookstone Terrace, which shall include 38 SCU beds.**
  - 3. Following certification of the 13 ACH beds at Brookstone Terrace, Brookstone of Clemmons, LLC shall take the necessary steps to de-license 13 ACH beds at The Crest of Clemmons for a total of no more than 83 licensed ACH beds at The Crest of Clemmons.**
  - 4. For the first two years of operation following completion of the project, Brookstone of Clemmons, LLC and BYPeterson Properties, LLC d/b/a Brookstone Terrace 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.**
  - 5. Brookstone of Clemmons, LLC and BYPeterson Properties, LLC d/b/a Brookstone Terrace shall submit all patient charges and patient admissions for each source of patient payment to the Healthcare Planning and Certificate of Need Section at year end for each of the first three operating years following licensure of the beds and the facility.**
  - 6. Brookstone of Clemmons, LLC and BYPeterson Properties, LLC d/b/a Brookstone Terrace shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI. 2.**
  - 7. Brookstone of Clemmons, LLC and BYPeterson Properties, LLC d/b/a Brookstone Terrace 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 119, the applicants project the total capital cost for the proposal will be \$2,389,882, which includes:

Site Costs	\$ 437,500
Construction Costs	\$1,417,000
Equipment and Furniture	\$ 85,000
Total Consultant Fees	\$ 165,000
Financing interest, Contingency	<u>\$ 285,382</u>
Total:	\$2,389,882

In Section VIII.2, page 121, the applicants indicate that the capital cost of the project will be financed through a commercial loan. In Section IX, pages 126 - 132, the applicants state that no working capital costs are associated with this project, since the facility is existing and currently staffed.

Exhibit 15 contains a copy of a September 24, 2014 letter from the Vice President of KeyBank Real Estate Capital, which states:

*“We have reviewed plans and specifications regarding the proposed addition of thirteen (13) adult care home beds for the above referenced project.*

*Based upon a projected cost of \$2,500,000, Key Bank Real Estate Capital is prepared to fully underwrite and process a loan request for the project. It is expected that uses of loan proceeds will be made available to the project’s sponsor to both refinance the existing indebtedness of \$2,450,000 as well as to provide new funds for the addition.*

*Loan to value shall not exceed eighty percent (80%) along with a loan amortization of not greater than thirty five (35) years.*

*... Subject to final credit approval and any refinement to overall plans, we are prepared to begin processing.”*

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

In Section X, pages 136 - 137, the applicants project charges/rates for the first two operating years following completion of the project. The monthly private pay charge for ACH beds is projected to be (rounded) \$138.00 for a private room and \$128.00 for a semi-private room. Additionally, the monthly private pay charge and semi-private pay charge for SCU beds is

projected to be (rounded) \$148.00 and \$149.00, respectively, in each of the first two full federal fiscal years following project completion, as shown in the following table:

Source of Payment by Type of Care	First Federal Fiscal Year (FFY 2017)		Second Federal Fiscal Year (FFY 2018)	
	Private Room	Semi-Private Room	Private Room	Semi-Private Room
<b>ACH Beds</b>				
Private Pay	\$138.08	\$128.22	\$138.06	\$128.22
State/County Special Assistance	\$0.00	\$0.00	\$0.00	\$0.00
<b>SCU Beds</b>				
Private Pay	\$148.00	\$139.80	\$147.95	\$139.73
State/County Special Assistance	\$49.83	\$0.00	\$49.81	\$0.00
Medicaid	\$59.35	\$0.00	\$59.32	\$0.00

Furthermore, in Forms B and C, the applicants project that revenues will exceed operating costs in both the first and second full federal fiscal year following completion of the proposed project, as shown in the table below.

**BY Peterson Properties, LLC (Brookstone Terrace)**

	ACH BEDS	SCU BEDS	TOTAL FACILITY
<b>First Full Project Year (FFY 2017)</b>			
Revenues	\$741,600	\$1,683,323	\$2,424,923
Operating Costs	\$623,125	\$1,526,885	\$2,150,010
Net Income	\$118,475	\$ 156,438	\$ 274,913
<b>Second Full Project Year (FFY 2018)</b>			
Revenues	\$741,600	\$1,762,656	\$2,504,256
Operating Costs	\$615,456	\$1,587,107	\$2,202,564
Net Income	\$126,144	\$ 175,549	\$ 301,692

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

C

The applicants propose to replace and relocate 18 ACH beds within Forsyth County to a new addition to be constructed on a site adjacent to the existing facility. Brookstone Terrace is an existing adult care home facility in Forsyth County that proposes to relocate 13 licensed but not operational ACH beds from The Crest of Clemmons, also in Forsyth County. In addition, Brookstone Terrace proposes to relocate five existing ACH beds from the existing facility to the new addition. The only change will be a change in licensure of all 18 beds, from adult care home beds to special care unit beds, to serve patients with Alzheimer's disease or other memory impairment. All 18 beds are currently listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 SMFP. Therefore, the proposed project would not result in an increase in the inventory of ACH beds in Forsyth County.

There are currently a total of 33 existing facilities in Forsyth County that offer adult care home services, including 3 Continuing Care Retirement Communities. Within that total, there are 13 facilities with SCU beds. The occupancy of those facilities, as reported by the applicant in Exhibit 26, ranges from 52% to 100%. The Forsyth County average occupancy, as reported in the 2014 LRAs, was 78.4% for all ACH services, and 84.4% for SCU services.

In Section III.1, pages 67 - 68, the applicants discuss the data regarding ACH beds in Forsyth County as reported in the 2014 SMFP. The applicants discuss what they call the "*restricted use*" of some of the ACH beds in the county, including the fact that several facilities use semi-private rooms for private pay patients because there are not enough private rooms in those facilities.

The applicants adequately demonstrate that the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Forsyth 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 supplemental information provided to the Agency, the applicants state that by FFY 2018 (the second full federal fiscal year) the entire facility will be staffed by 20.65 direct care full-time equivalent (FTE) positions (6.2 in the ACH and 14.45 in the SCU). The applicants project 2.05 direct care hours per patient day for the ACH beds, and 1.67 for the SCU beds. 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.4, page 60, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers. In Section V.2 and V.3, on pages 98 - 99, the applicants state that they contacted and received confirmation of continued support for the proposed project from the Forsyth County Department of Social Services. Brookstone Terrace is an existing facility. The applicants adequately demonstrate that they will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care community. Therefore, the application is conforming to this criterion.

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

NA

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

NA

- (11) Repealed effective July 1, 1987.

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

C

The existing Brookstone Terrace facility, located at 4430 Clinnard Road in Clemmons is 21,957 square feet, with 40 ACH beds. This application proposes renovation to 437 existing square feet; and construction of a new SCU wing totaling 10,748 square feet, on adjacent land at the same address, currently owned by the applicants. Upon completion of the new construction there will be a total of 53 ACH beds, including 18 SCU beds in the new wing, and 15 ACH beds and 20 SCU beds in the existing facility.

Total construction costs are projected to be \$1,417,000. Exhibit 20 contains a letter from an architect stating that the construction cost for the 18 bed addition would be \$1,703,000 which includes \$1,417,000 budgeted for the construction contract plus \$286,000 budgeted for site preparation.

In Exhibit 21, the applicants detail the energy and water saving features to be included in the proposed project.

The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative and that the construction costs will not unduly increase costs and charges for health services. See discussion of costs and charges in Criterion (5) which 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

Brookstone Terrace is an existing adult care home facility with 40 ACH beds, including 20 assisted living beds and 20 special care unit beds. In Section VI.1, page 103, the applicants provide the current payor mix, as illustrated in the table below.

**October 1, 2013 – September 30, 2014**

<b>PAYOR</b>	<b>CURRENT ACH DAYS AS A % OF TOTAL DAYS</b>	<b>CURRENT SCU DAYS AS A % OF TOTAL DAYS</b>
Private Pay	100.0%	50.0%
Commercial	--	--
Medicare	--	--
Medicaid	--	50.0%
Total	100.0%	100.0%

The Division of Medical Assistance (DMA) maintains a website which provides the number of persons eligible for Medicaid in North Carolina, and estimates the percentage of uninsured people for each county. The following table illustrates those percentages for the proposed service area and statewide.

	<b>2010 Total # of Medicaid Eligibles as % of Total Population *</b>	<b>2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *</b>	<b>CY2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *</b>
Forsyth	16%	5.7%	19.5%
Statewide	17%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rates as older segments of the population, particularly the adult care and special memory care services offered by Brookstone Terrace.

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



applicant's current payor mix would be of little value. The population data by age, race or gender do not include information on the number of elderly, handicapped, minorities or women utilizing health services.

The applicants demonstrate that medically underserved populations currently have adequate access to ACH services provided at Brookstone Terrace. Therefore, the application is conforming to this criterion.

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

C

In Section VI.5, page 106, the applicants state

*“Brookstone Terrace has not had any civil rights access complaints filed against it.”*

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.2, page 103, the applicants project the following payor mix for the second full federal fiscal year (FFY 2018):

PAYOR	ACH DAYS AS A % OF TOTAL DAYS	SCU DAYS AS A % OF TOTAL DAYS
Private Pay	100.0%	47.0%
Medicaid	0.0%	53.0%
County Assistance	0.0%	0.0%
Total	100.0%	100.0%

The table shows the patients receiving Medicaid will comprise 53% of the SCU days in the second federal fiscal year of operation. In Section VI.4(a), page 105, the applicants state: *“Admission for residents ... is on a first come basis. ...Persons applying for admission are not denied admission based on their payment source.”* The applicants demonstrate that medically underserved populations will continue to have adequate access to the adult care home services provided by Brookstone Terrace. 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 107, the applicants list the various methods by which patients will have access to the services offered at Brookstone Terrace, including but not limited to referrals from hospitals, social service agencies, and self-referrals. Brookstone Terrace has existing relationships with existing referral agencies, and the referral relationships are projected to continue.

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

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

C

In Exhibit 11, the applicants provide copies of letters to several community colleges, technical colleges, and Winston-Salem University, offering the facility as a clinical training site following the addition of the new wing.

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

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

C

The applicants propose to relocate 18 licensed ACH beds within Forsyth County to a new addition to be constructed on a site adjacent to the existing Brookstone Terrace facility. Brookstone Terrace is an adult care home facility in Forsyth County that proposes to replace and relocate 13 licensed but not operational ACH beds from The Crest of Clemmons, also in Forsyth County. In addition, Brookstone Terrace proposes to replace and relocate five existing ACH beds from the existing facility to the new addition. The only change will be a change in licensure of all 18 beds, from adult care home beds to special care unit beds, to serve patients with Alzheimer's disease or other memory impairment. All 18 beds are currently listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 SMFP. Therefore, the proposed project would not result in an increase in the inventory of ACH beds in Forsyth County.

There are currently a total of 33 existing facilities in Forsyth County that offer adult care home services, including 3 Continuing Care Retirement Communities. Within that total, there are 13 facilities with SCU beds. The occupancy of those facilities, as reported by the applicant in Exhibit 26, shows a range from 52% to 100%. The Forsyth County average occupancy, as reported in the 2014 LRAs, was 78.4% for all ACH services, and 84.4% for SCU services.

In Section III.1, pages 67 - 68, the applicants discuss the data regarding ACH beds in Forsyth County as reported in the 2014 SMFP. The applicants discuss what they call the "*restricted use*" of some of the ACH beds in the county, including the fact that several facilities use semi-private rooms for private pay patients because there are not enough private rooms in those facilities.

In addition, in Exhibit 26, the applicants provide data that shows 24% of ACH services in Forsyth County are provided to Medicaid recipients. [575 Medicaid residents / 2,429 total ACH residents on 7/31/13]. The applicants propose to provide ACH services in Brookstone Terrace to 37% Medicaid recipients, thereby increasing ACH availability to a population that needs those services. [53% x 38 SCU patients = 20 projected Medicaid patients. 20/53 total ACH + SCU patients = 37.7% Medicaid patients, as reported on pages 90 and 103].

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

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

- The applicants adequately demonstrate the need to relocate 18 existing ACH beds within Forsyth County and convert those beds to SCU beds, and that the proposed project is a cost-effective alternative to meet the need for special care and memory service beds. See discussions regarding the analysis of need and alternatives found in Criteria (3) and (4), respectively, which are incorporated herein by reference.

- The applicants adequately demonstrate they will continue to provide quality services. The discussion regarding quality found in Criteria (1) and (20) is incorporated herein by reference.
- The applicants adequately demonstrate they will continue to provide adequate access to medically underserved populations. Presently, no medically underserved residents are being served by the 13 ACH beds to be relocated since those beds are currently not operational. Additionally, the applicants propose to offer increased access to Medicaid recipients in Forsyth County. The discussion regarding access found in Criteria (1) and (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.

C

Brookstone Terrace is an existing facility with 40 ACH beds located in Clemmons, in Forsyth County. The Crest of Clemmons is an existing facility with 96 ACH beds, also located in Clemmons. According to the records in the Adult Care Licensure Section of the Division of Health Service Regulation, within the eighteen months immediately preceding the date of this decision, there have been no issues with regard to quality of care issues at either facility.

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

C

The 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 a new nursing facility or adult care home.

(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 a new nursing facility or adult care home.

(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 a nursing facility or adult care home.

(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 a new nursing facility or adult care home.

(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- The applicants propose to add adult care home beds to an existing adult care home facility. In Section IV.1, page 85, the applicants state average occupancy in Brookstone Terrace from November 1, 2013 through July 31, 2014 was 88.5%.

(d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-C- In Section IV.2, pages 87 - 94, the applicants project occupancy during the first two full federal fiscal years of operation. On page 92, the applicants project occupancy to be 100% during the second full federal fiscal year of operation, as shown in the table below: See discussion of utilization assumptions and methodology in Criterion (3) which is incorporated herein by reference.

**Brookstone Terrace Projected Occupancy  
 Second Project Year (Oct. 1, 2017 – September 30, 2018)**

	1 <sup>ST</sup> QUARTER	2 <sup>ND</sup> QUARTER	3 <sup>RD</sup> QUARTER	4 <sup>TH</sup> QUARTER	TOTAL
<b>Adult Care Home Beds (excluding special care unit)</b>					
Pt. Days	1,380	1,350	1,365	1,380	5,475
# Beds	15	15	15	15	15
Occupancy	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Special Care Unit</b>					
Pt. Days	3,496	3,420	3,458	3,496	13,870
# Beds	38	38	38	38	38
Occupancy	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Total Facility</b>					
Pt. Days	4,876	4,770	4,823	4,876	19,345
# Beds	53	53	53	53	53
Occupancy	100.0%	100.0%	100.0%	100.0%	100.0%

As shown above, occupancy at Brookstone Terrace is projected to be 100.0% for the total number of adult care home beds proposed to be operated for each quarter of the second year following completion of the proposed project. Therefore, the application is conforming to this rule.