

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 20, 2015

Findings Date: November 20, 2015

Project Analyst: Jane Rhoe-Jones

Team Leader: Fatimah Wilson

Project ID #: J-11064-15

Facility: Coventry House of Siler City

FID #: 030840

County: Chatham

Applicants: Siler City Health Investors, LLC (Lessor)
Coventry House of Siler City, LLC (Lessee)

Project: Add 20 ACH beds by relocating 20 existing ACH beds from Careview Rest Home for a total of 86 ACH beds upon completion

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Agency 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, Siler City Health Investors, LLC (Lessor) and Coventry House of Siler City, LLC (Lessee), propose to acquire and relocate 20 existing adult care home (ACH) beds from Careview Rest Home to Coventry House of Siler City (CHSC). Both sites are located in Chatham County. CHSC is an existing 66-bed ACH. Upon project completion, CHSC would have a total of 86 ACH beds. The applicants may be referred to collectively as either the applicants or CHSC.

Need Determination

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

Policies

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

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

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

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

The applicants are proposing to relocate existing licensed ACH beds within the host county. Therefore, the application is consistent with Policy LTC-2.

Conclusion

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

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

The applicants propose to acquire and relocate 20 existing adult care home (ACH) beds from Careview Rest Home to Coventry House of Siler City (CHSC).

In Section I.8, page 6, the applicants state that there is an asset purchase agreement with the owners of Careview Rest Home. A copy of this agreement was not provided as part of this application, however, Exhibit 7 contains a copy of an August 13, 2015 letter from the current owners of Careview Rest Home stating their intentions to cease operation of and relinquish the 20 ACH beds to the applicants upon approval of this certificate of need (CON) application.

Population to be Served

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

In Sections III.6 and III.7, page 18, the applicants provide the historical and projected patient origin for the ACH beds at CHSC, as shown below in the table.

CHSC ACH Historical Patient Origin & FFY 2017 Projected Patient Origin		
COUNTY OF ORIGIN	HISTORICAL	PROJECTED
Chatham	85.0%	85.0%
Randolph	10.0%	10.0%
Lee	5.0%	5.0%
Total	100.0%	100.0%

On page 18, the applicants state, “*We do not anticipate any meaningful change in resident origin.*” The applicants further state that the projections are, “*Based on actual current census data at the existing [F]acility.*”

The applicants adequately identify the population to be served.

Analysis of Need

In Section III of the application and in supplemental information, the applicants describe the need for the proposed project based on the following factors:

1. Low utilization of the existing Careview facility;
2. A very old physical plant at the Careview facility;
3. Financial viability of the Careview facility;
4. Geographical access to the 20-beds at the Careview facility; and
5. Operational efficiency of the Coventry House of Siler City facility.

As shown in the table above, the average occupancy rate at CHSC over the nine months immediately preceding submittal of the application was at least 88 percent.

Current Occupancy of Existing ACH Beds in Chatham County

In Section III.1(d), page 15, the applicants state,

“Based on a telephone survey within the past two weeks, it appears most of the current facilities in Chatham County have reasonably good occupancy, ranging from approximately 85% to 98%, with the exception of Careview, the facility whose beds we are proposing to relocate to Coventry House. Occupancy at Careview is currently averaging between 50%-60%. ... Our own average occupancy is ... 90%.”

Projected Utilization

In Section XI.8 (the applicants labeled as XI.9), page 72, the applicants provide the number of private and semi-private beds, as depicted below in the table:

CHSC Proposed Beds	
Private Beds	16
Semi-private Beds	70
Total Beds	86

In Section IV.2, pages 21-22, the applicants provide projected utilization, as illustrated in the table below:

CHSC PROJECTED UTILIZATION			
	1ST FULL FFY (10/1/16 – 9/30/17)	2ND FULL FFY (10/1/17 – 9/30/18)	3RD FULL FFY (10/1/18 – 9/30/19)
Adult Care Home Beds (no special care unit)			
Patient Days	26,430	28,835	28,835
Occupancy Rate	84.2 %	91.9%	91.9%
Number of Beds	86	86	86

As shown in the table above, in the second FFY of operation, CHSC projects the 86 ACH beds will operate at 92.0% of capacity [(28,835 days / 365 days per year) / 86 beds = 0.919 or 92.0%]. In supplemental information provided by the applicants on October 16, 2015, the applicants state that projected utilization is based on the applicants’ historical experience in several prior instances which include:

1. The opening of Coventry House in fall 2005;
2. The fill rate of the Zebulon sister facility in March 2006;
3. The spring 2013 conversion of existing beds to a Special Care Unit in the Oxford sister facility; and
4. The fill rate of the most recent 14-bed addition for Coventry House of Siler City.

The applicants projected utilization is based on reasonable and adequately supported assumptions.

Access

In Section VI.1, page 29, the applicants project the payor mix for the 86-bed ACH. The applicants' current and projected payor mix includes 31.8% Medicaid. Although the applicants current payor mix includes Special Assistance with Enhanced Medicaid, the applicants state, *"We are projecting only SA Basic to present the most conservative scenario."*

The applicants adequately demonstrate the extent to which all residents, including underserved groups, will have access to the proposed services.

Conclusion

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need to acquire and relocate the 20 existing ACH beds within Chatham County, and adequately demonstrate the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed ACH services following relocation of the beds to another facility. 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 acquire and relocate 20 existing ACH beds from Careview Rest Home, located at 2701 Moon Lindley Road in Snow Camp, to Coventry House of Siler City located at 260 Village Lake Road, in Siler City. Both sites are located in Chatham County. According to Google Maps, the proposed site is located less than 10 miles from the existing site. Therefore, the 20 beds would be geographically accessible to the same population previously served at Careview Rest Home. In Section III.1(c), page 15, the applicants state,

"Occupancy at Careview is currently averaging between 50%-60%. Low occupancy for such a small facility makes it impossible to achieve financial viability. This is the primary reason their ownership desires to pursue an arrangement with us."

Exhibit 7, page 130, contains a copy of an August 13, 2015 letter from the owners of Careview Rest Home which states,

"I intend to relinquish operation of the 20 licensed adult care home beds at Careview Rest Home and cease operation of those beds to Siler City Health Investors, LLC and

Coventry House of Siler City, LLC pursuant to an Asset Purchase Agreement with Siler City Health Investors, LLC upon approval of their CON application. Combining these beds with the existing 66 beds at Coventry House of Siler City into a modern, centrally located facility will greatly improve the delivery of adult care home services to the residents and families in Chatham County.”

In Section III.1.(e), page 16, the applicants further state,

“This proposal can only have a positive influence on the spectrum of health care services available in Chatham County. Being centrally located in Siler City, CHSC is accessible to a larger number of Chatham County residents than facilities near the boundaries of adjoining counties. ...”

The applicants demonstrate that that the needs of the population presently served will be adequately met and that the proposal will not adversely affect the ability of underserved groups to obtain needed health care. 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), page 16, the applicants state they considered no other alternatives since there is no additional need for ACH beds in the 2015 SMFP. The applicants state, *“This project proposes a ... relocation of 20 existing licensed beds from a very old physical plant in a sparsely populated rural area to a modern facility in a major population center of Chatham County.”*

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 this proposal is the least costly or most effective alternative to meet the identified need. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

- 1. Siler City Health Investors, LLC (Lessor) and Coventry House of Siler City, LLC (Lessee) shall materially comply with all representations made in the certificate of need application and subsequent supplemental information submitted. In those instances where representations conflict, Siler City Health Investors, LLC (Lessor) and Coventry House of Siler City, LLC (Lessee) shall materially comply with the last made representation.**
- 2. Siler City Health Investors, LLC (Lessor) and Coventry House of Siler City, LLC (Lessee) shall relocate no more than 20 ACH beds from Careview Rest Home to Coventry House of Siler City facility, for a facility total of no more than 86 ACH beds.**

3. **For the first two years of operation following completion of the project, Siler City Health Investors, LLC (Lessor) and Coventry House of Siler City, LLC (Lessee) 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. **Siler City Health Investors, LLC (Lessor) and Coventry House of Siler City, LLC (Lessee) shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI. 2.**
 5. **Siler City Health Investors, LLC (Lessor) and Coventry House of Siler City, LLC (Lessee) 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

The applicants, Siler City Health Investors, LLC (Lessor) and Coventry House of Siler City, LLC (Lessee), propose to acquire and relocate 20 adult care home (ACH) beds from Careview Rest Home in Chatham County to Coventry House of Siler City (CHSC). CHSC is an existing 66-bed ACH in Chatham County. At project completion, CHSC would have a total of 86 ACH beds.

Capital and Working Capital Costs

In Section VIII.1, page 42, the applicants project that the capital cost will be as follows:

Site Costs	\$337,042
Construction / Renovation Costs	\$872,164
Miscellaneous Costs	\$205,706
Total	\$1,414,912

In Section IX, pages 46 and in supplemental information received on October 29, 2015, the applicants state that miscellaneous start-up expenses and total working capital costs for the project will be \$10,000.

Availability of Funds

In Section VIII.2, page 43, the applicants state that the capital cost of the project will be financed with a commercial loan. Working capital costs will be financed with ongoing operations monies (page 48). In supplemental information received on October 29, 2015, the applicants state,

“[T]he \$10k ... for various supplies, equipment and costs associated with the opening of the, [sic] new beds. [I]t includes such items as linens, medical supplies, activity supplies, housekeeping supplies, etc. [T]hese costs are included in the proforma as expense line items under the various departments, spread out over the new beds as the costs are incurred as the census of the new beds increase.”

In supplemental information received on October 16, 2015, the applicants provide a copy of a letter dated October 13, 2015 from the senior vice-president of Capital Bank, which states:

“Capital Bank, N.A. is pleased to consider financing the proposed 20-bed expansion of Coventry House of Siler City ...

... Capital Bank, N.A. is prepared to consider a request for a commercial loan to Siler City Health Investors, LLC in the amount of \$1,414,912. The anticipated term would be a 25 year amortization at an anticipated interest rate of 4.20% for 7 years. ...”

The applicants adequately demonstrate that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

The applicants provide pro forma financial statements for the first three years of the project. The applicants project revenues will exceed operating expenses in each of the first three project years, as illustrated below in the table.

CHSC ACH	Project Year 1 2017	Project Year 2 2018	Project Year 3 2019
Projected # of days	26,430	28,835	28,835
Projected Average Charge (Gross Patient Revenue / Projected # of days)	\$102.61	\$105.57	\$108.41
Gross Patient Revenue	\$2,711,900	\$3,044,206	\$3,126,144
Net Patient Revenue	\$2,702,900	\$3,035,206	3,117,145
Total Expenses	\$2,089,797	\$2,407,535	\$2,484,927
Net Income	\$622,112	\$636,671	\$641,218

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the pro formas, pages 53-68, for the assumptions regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicants

adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

In summary, the applicants adequately demonstrate that sufficient funds will be available for the capital and working capital needs of the project. Furthermore, the applicants 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 propose to acquire and relocate 20 existing adult care home (ACH) beds from Careview Rest Home to Coventry House of Siler City (CHSC).

Careview Rest Home's 20 ACH beds are currently listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2015 SMFP. Therefore, the proposed project would not increase the inventory of ACH beds in Chatham County.

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

Careview Rest Home, located at 2701 Moon Lindley Road in Snow Camp, is located less than 10 miles from Coventry House of Siler City located at 260 Village Lake Road, in Siler City. The distance was obtained from Google Maps¹. Both sites are located in Chatham County. The 20 beds would be geographically accessible to the same population previously served at Careview Rest Home.

According to the 2015 SMFP, there are currently seven existing facilities in Chatham County that offer ACH services, as shown in the table below.

¹ Google Maps <https://maps.google.com>

2015 SMFP ACH Inventory & 2018 Need Projections Chatham County	
# ACH Facilities	7
# Beds in ACH Facilities	351
# Beds in Nursing Homes	51
Total Licensed Beds	402
# CON Approved	26
Total # Available	453
Total # in Planning Inventory	427
Projected 2018 Bed Surplus	27
Source: 2015 SMFP, pages 222 and 243	

As shown in the table above, there are 402 total licensed ACH beds in Chatham County, with 427 in the planning inventory and a projected surplus of 27 ACH beds in 2018 for Chatham County. Data in the 2015 license renewal applications (LRAs) show that the occupancy rate in the seven ACHs ranged from 51.6% to 93.1%.

The applicants do not propose to develop new ACH beds, but rather to acquire and replace 20 existing ACH beds that are currently located in an aged ACH facility (which will be closing). There will be no increase in the inventory of ACH beds or the number of facilities in Chatham County. The discussions regarding analysis of need and cost effectiveness found in Criterion (3) and Criterion (4), respectively, are incorporated herein by reference.

The applicants adequately demonstrate that the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Chatham 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 34-37, the applicants provide the current staffing and the proposed staffing in full-time equivalents (FTEs) for the second full federal fiscal year, as shown below in the table.

CHSC Direct Care Staffing		
Position	Current*	Projected Project Year 2
Nurse	1.0	1.0
Personal Care Aide	14.00	19.6
Med Tech	7.0	8.4
Total ACH	22.0	29.0
*Current staff as of August 10, 2015		

In Section VII.6, page 40, the applicants describe their experience and process for recruiting and retaining staff.

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.2, page 12, the applicants state that they will continue to provide excellent care to the residents, including assistance with activities of daily living, personal care, medication oversight and administration, and coordination of care with other healthcare professionals. In Section V, page 27, the applicants state that CHSC has an excellent rapport with the medical community which includes the local hospital, local physicians, home health agencies and the senior center. The applicants further state that longstanding relationships already exist. Supplemental information received on October 16, 2015 contains copies of letters of support for the proposed project from providers of these services. The applicants adequately demonstrate that necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA

- (10) When applicable, the 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 develop the 20 beds to be relocated from Careview Rest Home in a new 5,254 square foot addition and 516 square feet of renovated space at the current CHSC facility, which is located at 260 Village Lake Road. Exhibit 5 contains a letter from an architect that estimates that architectural fees, site preparation costs, and construction costs will total \$1,414,912, which corresponds to the project capital cost projections provided by the applicants in Section 8, pages 42-43. In Section XI.14, page 74, the applicants describe the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. 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.1, page 29, the applicants provide the payor mix during FFY2014 for CHSC, as illustrated below in the table.

CHSC	Percentage of Total
Private Pay	68.2%
SA Basic Medicaid	29.4%
SA Enhanced Medicaid	2.4%
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. More current data, particularly with regard to the estimated uninsured percentages, was not available. The following counties comprise the projected counties of residence for the patients to be served by Coventry House of Siler City.

	2010 Total # of Medicaid Eligibles as % of Total Population	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population	2009 % Uninsured CY 2009 (Estimate by Cecil G. Sheps Center)
Chatham	11.6%	4.1%	19.3%
Randolph	18.6%	7.2%	19.5%
Lee	19.5%	7.2%	21.5%
State	16.5%	6.7%	19.7%

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

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

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

The applicants demonstrate that medically underserved populations currently have adequate access to the services offered at CHSC. 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(a-b), page 30, the applicants state that there have been no civil rights equal access complaints filed against their facilities or programs in North Carolina. The applicants do not have any obligation to provide uncompensated care or community service under any federal regulations. Therefore, the application is conforming to this criterion.

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

C

In Section VI.2, page 29, the applicants provide the projected payor mix during Project Year 2, as shown in the following table.

	Percentage of Total
Private Pay	68.4%
SA – Basic Medicaid	31.6%
Total	100.0%

In Section VI.1, page 29, the applicants state that while the current payor mix includes Special Assistance with Enhanced Medicaid, they are projecting only Special Assistance Basic Medicaid to present the most conservative scenario. The applicants demonstrate that medically underserved populations will have adequate access to the proposed services. 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.8, page 31, the applicants describe the range of means by which a person will have access to the proposed services, including referrals/admissions from area hospitals, physicians, home health agencies, other adult care homes and skilled nursing facilities. The applicants adequately demonstrate that the facility will offer a range of means by which patients will have access to the proposed services. 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 27, the applicants describe how the facility accommodates the clinical needs of area health professional training programs. The applicants state:

“CHSC does not have any such formal agreements in place, but we do on occasion offer community service in the form of training programs for CNAs [sic]. It has been our experience that most such training programs are more focused on skilled nursing facilities where a broader range of medical conditions and procedures can be observed.”

However, supplemental information received on October 16, 2015 contains a copy of a February 2014 training agreement that the applicants signed with Central Carolina Community College stating that the applicants will accept nursing assistant trainees. The supplemental information provided is reasonable and adequately demonstrates that the facility would accommodate the clinical needs of health professional training programs in the area. Therefore, the application supports a determination of 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 acquire and relocate 20 existing adult care home (ACH) beds from Careview Rest Home to Coventry House of Siler City (CHSC).

Careview Rest Home’s 20 ACH beds are currently listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2015 SMFP. Therefore, the proposed project would not increase the inventory of ACH beds in Chatham County.

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

According to the 2015 SMFP, there are currently seven existing facilities in Chatham County that offer ACH services; six ACHs and one nursing home. The table below is from the 2015 SMFP, Chapter 11, Table 11A, page 222 and Table 11B, page 243.

2015 SMFP ACH Inventory & 2018 Need Projections Chatham County	
# ACH Facilities	7
# Beds in ACH Facilities	351
# Beds in Nursing Homes	51
Total Licensed Beds	402
# CON Approved	26
Total # Available	453
Total # in Planning Inventory	427
Projected Bed Surplus in 2018	27
Source: 2015 SMFP	

As shown in the table above, there are currently seven licensed ACH providers in Chatham County, a total of 402 licensed ACH beds and a projected surplus of 27 ACH beds in 2018 for the county.

In Section III, pages 15-16, the applicants describe issues with regard to the Careview Rest Home facility. On page 15, the applicants state, “*Occupancy at Careview is currently averaging 50%-60%. Low occupancy for such a small facility makes it impossible to achieve financial viability. ...*” On page 16, the applicants state, “*This project proposes a ... relocation of 20 existing licensed ACH beds from a very old physical plant in a sparsely populated rural area to a modern facility in a major population center of Chatham County.*”

In supplemental information received October 16, 2015 for Section V.4, the applicants discuss how the proposed project will have a positive impact on the cost-effectiveness, quality of care and access to the proposed services. The applicants state,

“Whenever an existing provider of quality services can be expanded, it is ... a less costly and better alternative than establishing a completely new enterprise. The 20 beds from Careview were not financially viable as a stand-alone facility; there is ... no way to realize economies of scale with such a small number of beds. Expanding Coventry House through the addition of these 20 beds not only strengthens our operation, but also assures that these 20 beds will continue to be made available to residents of Chatham County. We are proposing to essentially keep the same percentage of Medicaid residents in the new beds, so medically underserved persons will continue to have access to quality care through the proposed expansion.”

See also Sections II.5 (page 13), III.3-4 (pages 16-17), V.2 (page 27), VI (pages 29-31), VII (page 40), and in supplemental information where 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 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 acquire and relocate the 20 ACH beds from Careview Rest Home to CHSC also in Chatham County and that the proposed project 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 CHSC will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicants adequately demonstrate that CHSC will provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is incorporated herein by reference.

Therefore, the application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

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In Section I.12(a), page 9, the applicants state, “*No other homes operated by either the Lessor or Lessee.*” However, according to ACH License Renewal Applications, the member/manager for the lessee currently owns and manages three ACH facilities in North Carolina. The three ACH facilities are Coventry House of Siler City (one of the applicants for this project), Coventry House of Zebulon and Granville House. After reviewing and considering information regarding quality provided by the applicants and by the Adult Care Licensure Section, and considering the quality of care provided at all three facilities, the applicants provide sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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