

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 24, 2015

Findings Date: November 24, 2015

Project Analyst: Julie Halatek

Assistant Chief: Martha J. Frisone

Project ID #: B-11047-15

Facility: Winchester House

FID #: 140293

County: Henderson

Applicants: Hendersonco, LLC

Henderson AL Holdings, LLC

Project: Relocate 15 adult care home beds from Country Meadow Rest Home (Henderson County) and 25 adult care home beds from Nana's Assisted Living (Buncombe County) to the previously approved Winchester House for a total of 80 adult care home beds upon completion of this project and Project I.D. #B-10312-14

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

Hendersonco, LLC and Henderson AL Holdings, LLC propose to acquire and relocate 15 adult care home (ACH) beds from Country Meadow Rest Home (Country Meadow) in Henderson County and 25 ACH beds from Nana's Assisted Living (Nana's) in Buncombe County to Winchester House (Winchester). Winchester is a previously approved but not yet developed 40 ACH bed facility in Henderson County. At the completion of this project and Project I.D. #B-10312-14, Winchester will have a total of 80 ACH beds.

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 SMFP.

Policies

The following two 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 North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins, and*
- 2. Demonstrate that the proposal shall not result in a surplus of licensed 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 North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

Winchester is located in Henderson County. Fifteen of the 40 beds to be relocated to Winchester will come from Country Meadow, an existing adult care facility in Henderson County. The remaining 25 beds will come from Nana’s, an existing adult care facility in Buncombe County. The applicants state in supplemental information received October 8, 2015 that the 25 beds from Nana’s are currently licensed but not occupied. Buncombe County is contiguous to Henderson County. In Table 11B on page 244 of the 2015 SMFP, Henderson County is projected to have a deficit of 94 beds in 2018.

Relocating 15 beds within Henderson County will not affect the inventory of licensed ACH beds in Henderson County. Adding 25 beds to Henderson County from Buncombe County will not result in a surplus of licensed ACH beds in Henderson County. Furthermore, relocating 25 beds from Buncombe County to Henderson County will not result in a deficit of licensed ACH beds in Buncombe County. In Table 11B on page 243 of the 2015 SMFP, Buncombe County is projected to have a surplus of 25 beds in 2018. Therefore, 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 XI.14, page 70, the applicants provide a written statement describing the proposed project’s plan to assure improved energy efficiency and water conservation. The application is consistent with Policy GEN-4.

Conclusion

In summary, the applicants demonstrate that their proposal is conforming to all applicable policies in the 2015 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

The applicants propose to acquire and relocate 15 existing ACH beds from a facility in Henderson County and 25 existing ACH beds from a facility in Buncombe County (contiguous to Henderson County) to the previously approved but not yet developed Winchester House in Henderson County for a total of 80 ACH beds upon completion of this project and Project I.D.

#B-10312-14. In Section I.12(e), page 11, the applicants state that the owner of the facility in Buncombe County losing 25 beds is aware that the beds will be permanently moved to Henderson County once the beds are licensed. Exhibit C contains a letter from Charles Trefzger of Black Mountain Property Holdings, LLC, stating he supports the relocation of the beds and understands it to be a permanent move.

Population to be Served

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

In Section III.7(a), page 22, the applicants provide the projected resident origin for Winchester, as shown in the table below:

Projected Resident Origin by County – FFY 1	
County	% of Admissions
Henderson	100%
Total	100%

In Section III.7(b), page 22, the applicants state:

“The origin projections are based upon the current demographic composition of Henderson County service area (together, the PSA). Furthermore, sufficient demand/need is evidenced in EXHIBIT H, to support resident origins in the percentages projected from among the existing population. Sufficient demand exists in the PSA to generate 100% resident origins from the PSA.”

In supplemental information received October 8, 2015, the applicants state that the information cited above can be found in Exhibit E.

The applicants adequately identify the population to be served.

Analysis of Need

In Section III.1, pages 17-19, and in supplemental information received October 8, 2015, the applicants discuss the need for the proposed project. The applicants state the need is based on the county’s deficit of ACH beds, the county’s projected increase in population over age 65 and the high occupancy rates in the other existing facilities in Henderson County:

- The 2015 SMFP shows a deficit of 94 ACH beds in Henderson County.

- The NC Office of State Budget and Management projects a 38 percent increase in the number of Henderson County residents aged 65 and older between 2013 and 2033. See Exhibit F.
- The applicants provide their calculations for current utilization of Henderson County ACH facilities. The applicants state that Henderson County’s 12 ACH facilities have an average ACH occupancy rate of 85.36 percent, including two facilities at 100 percent occupancy. See Exhibit Z.
- According to the American Community Survey 2009-2013 from the US Census Bureau, 32.8 percent of Henderson County residents are both aged 65 years and older and have one or more disabilities. The applicants state in Section III.1(a), page 18, that individuals aged 65 years and older with disabilities are the population most likely to need the services of an ACH facility. See Exhibit F.
- The applicants state that from operational experience of the management company, ACH facilities with 60-100 beds provide operational efficiency. The applicants state that when there is operational efficiency, operational costs are decreased, savings are passed along to residents, and operational efficiency allows for increased care and services to residents. See page 17 of the application, Exhibit B, and the supplemental information received October 8, 2015.

The applicants adequately demonstrate the need to relocate the 25 ACH beds from Buncombe County and the 15 ACH beds from Henderson County to Winchester.

Projected Utilization

In Section IV.2, pages 23-25, the applicants provide projected quarterly utilization data for the first three full Federal Fiscal Years (FFYs) of operation, as summarized annually in the table below.

Projected Utilization – Winchester House – FFYs 1 - 3			
	FFY 1	FFY 2	FFY 3
	10/1/16 – 9/30/17	10/1/17 – 9/30/18	10/1/18 – 9/30/19
Resident Days	11,627	23,738	27,156
Occupancy Rate	39.8%	81.3%	93.0%
# of Beds	80	80	80

As shown in the table above, the applicants project the 80 ACH beds will operate at almost 40 percent occupancy [$11,627 / (80 \times 365) = 0.398$] in FFY 2017; at 81.3 percent occupancy [$23,738 / (80 \times 365) = 0.813$] in FFY 2018; and at 93.0 percent occupancy [$27,156 / (80 \times 365) = 0.930$] in FFY 2019.

In Section IV, pages 23-27, and supplemental information received October 8, 2015, the applicants provide the assumptions and methodology used to project utilization, which are summarized below.

- The applicants state they will begin marketing the facility prior to its opening.
- The applicants anticipate having 10 residents who have committed to the facility and reserved beds at the facility prior to the opening of the facility.
- The ACH beds will be occupied at a rate of four new residents per month until the population stabilizes.
- The applicants state the assumptions and methodology are based on the following:
 - *“The experiences of the Regional Executive, the Chief Operating Officer, and the VP of Quality Assurance Services in opening 20+ new assisted living facilities and Alzheimer’s and Dementia facilities.*
 - *Healthcare providers and the community leadership recognized need for these redeveloped beds.”*
- Exhibit B contains information on the CEO and the Regional Director of Operations for Western North Carolina for Meridian Senior Living, the proposed management company, and their experience with developing and operating ACH facilities.
- The supplemental information received October 8, 2015, contains information on the Regional Director of Operations for North Carolina and Virginia and her experience with developing and operating ACH facilities.

Projected utilization is based on reasonable and adequately supported assumptions.

Access

In supplemental information received October 8, 2015, the applicants project 63 percent of Winchester’s resident days will come from residents receiving State/County Special Assistance with Medicaid and 37 percent of resident days will come from private pay residents. The applicants state:

“The payor mix projected in the Henderson County Certificate of Need application was arrived at through the detailed analysis of similar sized facilities in comparable markets (most notably, our currently operating facilities in Guilford, Alamance, Jackson and Mitchell Counties). ...”

In Section VI.4, pages 31-32, the applicants state that residents will be admitted only on a physician’s order and residents whose needs the facility cannot accommodate will not be admitted. In Sections VI.4(a)-(b), pages 31-32, the applicants state that all persons will be admitted to the facility, receive services at the facility, and have the same payment policies regardless of race, color, creed, age, national origin, handicap, sex, or source of payment. The applicants state that private pay residents will be required to pay for each month’s residency in advance, but State/County Special Assistance with Medicaid recipients will not be required to pay anything prior to or upon admission. The applicants also state that private pay residents who

spend down and become eligible for special assistance will not be discharged and every effort will be made to assist the resident and family with applying for State/County Special Assistance with Medicaid.

The applicants adequately demonstrate the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need that this population has for the proposed project, and adequately demonstrate the extent to which all residents, including underserved groups, will have access to the proposed services. Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the 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 relocate 25 licensed, but not currently operational, ACH beds from Nana's Assisted Living in Buncombe County to Winchester in Henderson County. The applicants also propose to relocate 15 ACH beds from Country Meadow in Henderson County to Winchester, also in Henderson County. According to Google Maps, Winchester is located 8.5 miles (a 16 minute drive) from Country Meadow. Therefore, the replacement facility would be geographically accessible to the same population previously served at Country Meadow. In supplemental information received November 10, 2015, the applicants state that current residents of Country Meadow can decide to relocate to Winchester; if Country Meadow closes prior to the operation of Winchester, the applicants will provide residents with ample notice as well as relocation assistance. The applicants state that moving to a new and modern facility will have a positive impact on the current population of Country Meadow. The applicants further state:

“Individuals currently served at Country Meadows have not been made aware of the proposal. One could deduce however that upon learning of the possibility of moving into a new, modern facility that residents and families would exhibit a high level of support.”

The 25 beds to be added to Winchester from Nana's Assisted Living are currently unoccupied. Since the 25 beds are not currently serving residents no residents will be impacted by the relocation of the 25 ACH beds. Additionally, the 2015 SMFP shows a surplus of 25 ACH beds in Buncombe County. The applicants adequately demonstrate that the needs of the population presently served will be adequately met. 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 supplemental information received October 8, 2015, the applicants describe the alternatives considered, including maintaining the status quo or relocating the 40 ACH beds to the facility under development. The applicants discuss the need that Henderson County residents have for more ACH beds along with the operational efficiency that will reduce operational costs which will lead to savings for the residents.

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

The applicants adequately demonstrate that the proposed alternative is the most effective or least costly alternative to meet the need identified. The application is conforming to this criterion and approved subject to the following conditions.

- 1. Hendersonco, LLC and Henderson AL Holdings, LLC shall materially comply with all representations made in the certificate of need application and supplemental information received October 8, 2015, November 10, 2015, and November 23, 2015. In those instances where representations conflict, Hendersonco, LLC and Henderson AL Holdings, LLC shall materially comply with the last made representation.**
 - 2. Hendersonco, LLC and Henderson AL Holdings, LLC shall add no more than 40 adult care home beds for a total of no more than 80 adult care home beds upon project completion and completion of Project I.D. #B-10312-14, by relocating 15 adult care home beds from Country Meadow Rest Home and 25 from Nana's Assisted Living.**
 - 3. Hendersonco, LLC and Henderson AL Holdings, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
 - 4. For the first two years of operation following completion of the project, Hendersonco, LLC and Henderson AL Holdings, LLC shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
 - 5. Hendersonco, LLC and Henderson AL Holdings, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of

the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

Hendersonco, LLC and Henderson AL Holdings, LLC propose to acquire and relocate 15 adult care home (ACH) beds from Country Meadow (Country Meadow) Rest Home in Henderson County and 25 ACH beds from Nana's Assisted Living (Nana's) in Buncombe County to Winchester House (Winchester). Winchester is a previously approved but not yet developed 40 ACH bed facility in Henderson County. At the completion of this project and Project I.D. #B-10312-14, Winchester will have a total of 80 ACH beds.

Capital and Working Capital Costs

In supplemental information received October 8, 2015, the applicants project the total capital cost of developing the new facility, which includes the costs for the previously approved Project I.D. #B-10312-14, will be \$6,798,690. The applicants project the capital cost for this project will be \$3,025,240, which includes:

Site Preparation:	\$638,500
Construction Contract:	\$1,925,240
Equipment & Furniture:	\$100,000
Financing Costs:	\$160,000
Consultant Fees:	\$111,500
<u>Contingency:</u>	<u>\$90,000</u>
	\$3,025,240

In Section IX.1-3, page 48, the applicants project the total working capital (start-up and initial operating expenses) costs for the development of Winchester, which includes the start-up and initial operating expenses from the previously approved Project I.D. #B-10312-14, will be \$552,243 (start-up expenses: \$135,500 and initial operating expenses: \$416,743).

Availability of Funds

In Section VIII.3, page 45, the applicants state that the capital cost for the development of Winchester (including the authorized capital cost for the previously approved Project I.D. #B-10312-14) will be financed via commercial loan. Exhibit N contains a letter from the Senior Vice President of DCR Mortgage Partners VI, LP stating the bank will provide a commercial loan to the applicants in the amount of \$6,798,690. Exhibit O contains an amortization schedule for that loan.

In Section IX.5, page 50, the applicants state that the total working capital costs for the development of Winchester (including the working capital costs from the previously approved Project I.D. #B-10312-14) will be financed via commercial loan. Exhibit P contains a letter from the Senior Vice President of DCR Mortgage Partners VI, LP stating the bank will provide a commercial loan to the applicants in the amount of \$552,243. Exhibit Q contains an amortization schedule for that loan.

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

Financial Feasibility

In supplemental information received October 8, 2015, the applicants provide the approved per diem rates from the previously approved Project I.D. #B-10312-14. The applicants were approved for the following per diem rates for private pay residents: 1) \$110.00 for a private room; and 2) \$93.33 for a semi-private room. The applicants' approved per diem rates for residents receiving State/County Special Assistance with Medicaid is \$63.82 (whether in a private or semi-private room).

In Section X.4, pages 55-56 of this application, the applicants project per diem rates for the first three operating years. The applicants state that the per diem rate for private pay residents will be \$123.32 and the per diem rate for residents receiving State/County Special Assistance with Medicaid will be \$74.56 (whether in a private or semi-private room).

In supplemental information received November 10, 2015, the applicants state:

“The difference between projected patient charges is the result of each project’s unique timing, scope, and related charge data available at the time of the valuation. Financial analysts calculated the projected patient charges for Project I.D. #B-10312-14, which involved a certificate of need application filed in July 2014 for a 40-bed replacement facility. One year later, financial analysts calculated the projected patient charges for Project I.D. #B-11047-15, which involved a certificate of need application filed in June 2015 for the development of 80 total adult care beds within the county and from across county lines. The projected patient charges reflect the underlying factors of time, scope and data available in each project.”

In Section XI.8, page 67, the applicants state that Winchester (as a whole) will have 26 private beds and 54 semi-private beds. In the projected revenue and expense statement (Form B), the applicants project operating expenses will exceed revenues in the first Project Year following completion of Winchester, but revenues will exceed operating expenses in both the second and third Project Years following completion of Winchester, as shown in the table below.

Revenues / Operating Expenses – Project Years 1-3 – Winchester			
	Project Year 1	Project Year 2	Project Year 3
Total Revenues	\$1,115,519	\$2,163,236	\$2,413,146
Total Operating Expenses	\$1,513,531	\$2,138,325	\$2,201,475
Net Profit	(\$398,012)	\$24,911	\$211,671

The assumptions used by the applicants in preparation of the pro formas are reasonable, including projected utilization, 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

Hendersonco, LLC and Henderson AL Holdings, LLC propose to acquire and relocate 15 adult care home (ACH) beds from Country Meadow (Country Meadow) Rest Home in Henderson County and 25 ACH beds from Nana's Assisted Living (Nana's) in Buncombe County to Winchester House (Winchester). Winchester is a previously approved but not yet fully developed 40 ACH bed facility in Henderson County. At the completion of this project and Project I.D. #B-10312-14, Winchester will have a total of 80 ACH beds.

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

The following table shows the existing and approved ACH beds located in Henderson County, per page 229 of the 2015 SMFP. The utilization figure is calculated from information submitted on days of care on each facility's 2015 License Renewal Application (LRA).

Inventory and Utilization of ACH Beds – Henderson County			
Facility Name	# of Beds	Days of Care	Utilization
Blue Ridge Retirement*	43	12,776*	81.4%*
Cardinal Care Center – Hendersonville	60	20,934	95.6%
Carillon Assisted Living of Hendersonville	96	18,593	53.1%
Carolina Village**	(60)	**	**
Cherry Springs Village	60	19,975	91.2%
Country Meadow Rest Home	15	5,019	91.2%
Emeritus at Heritage Lodge	24	8,640	98.6%
Henderson’s Assisted Living	26	8,205	86.5%
McCullough’s Rest Home	13	4,015	84.6%
Mountain View Assisted Living	27	6,973	70.8%
Winchester House #1**	(30)	**	**
Winchester House #2**	(10)	**	**
Spring Arbor of Hendersonville	61	18,272	82.1%
Spring Arbor West	48	12,130	69.2%
The Laurels of Hendersonville***	20	4,254	58.3%
Total Inventory and Days of Care /Average Utilization	493	139,786*	77.7%*

*The 2015 LRA for Blue Ridge Retirement did not provide the number of days of care. To calculate days of care, the Project Analyst divided the number of patients by the number of available beds and used the ratio to estimate the number of days of care (35 residents / 43 beds = 0.8139 or 81.4% occupancy rate; 43 beds x 365 days/year = 15,695 potential days of care; 15,695 potential days of care x 81.4% utilization = 12,776 days of care).

**These facilities reported on their 2015 LRAs that they had not served any residents within the last 12 months and thus are excluded from the calculations.

***This facility is a nursing home that also has ACH beds.

As shown in the table above, eight of the 12 facilities in use report greater than 80 percent utilization.

Twenty-five beds are being relocated to Winchester from Nana’s in the contiguous county of Buncombe. In supplemental information received October 8, 2015, the applicants state that the Executive Director of Nana’s has stated that the 25 beds to be relocated are not in use and thus no residents will be impacted. According to Table 11B in the 2015 SMFP, Buncombe County is projected to have a surplus of 25 ACH beds in 2018 and Henderson County is projected to have a deficit of 94 ACH beds in 2018. Relocating 15 beds within Henderson County will have no impact on the Henderson County inventory. Relocating 25 beds from Buncombe to Henderson County will lessen Buncombe’s surplus and Henderson’s deficit. 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 the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Henderson County. Consequently, 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 personal care staff twenty-four hours per day, seven days per week. In Section VII.4(h), page 39, the applicants state that by FFY 2018 (the second full fiscal year) the ACH facility will be staffed by 38.5 full-time equivalent (FTE) positions.

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.2, pages 12-14, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers including dietary, transportation, dentistry, physician, therapy, recreation, personal care, housekeeping/laundry, and community volunteer services. Exhibit X contains a letter from Sysco Charlotte II expressing an interest in providing dietary services as well as a letter from Stanley Lab expressing an interest in providing pharmacy services to Winchester. Supplemental information received October 8, 2015 contains a letter signed by Dawn McKenzie-Clarke, RN, offering to provide RN Consultant services to Winchester. Exhibit M contains a blank application for residency which lists the services Winchester proposes to provide. Exhibits I and K as well as supplemental information received October 8, 2015 contain copies of letters from other healthcare professionals expressing support for the proposed project. In Project I.D. #B-10312-14, the previously approved but not yet developed project that established Winchester, the application was conforming to this Criterion, and the applicants propose no changes or additions in the current application that would affect that determination. The applicants adequately demonstrate that the 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 increase the size of Winchester, a previously approved facility (Project I.D. #B-10312-14) already under development at 4145 Haywood Road in Mills River. Exhibit W contains a letter from an architect with DIGroupArchitecture, LLC that estimates that construction costs for the building will be \$122.55 per square foot, which corresponds to the construction contract projection provided by the applicants in supplemental information received October 8, 2015. In Sections XI.13-14, pages 69-70, 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;

NA

The applicants propose to relocate 25 existing but unoccupied ACH beds from Buncombe County and to purchase Country Meadows in Henderson County and

relocate its 15 ACH beds to Winchester, a previously approved but not yet developed facility. The applicants do not currently operate any of the ACH beds proposed for Winchester.

- (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;

NA

The applicants propose to relocate 25 existing but unoccupied ACH beds from Buncombe County and to purchase Country Meadows in Henderson County and relocate its 15 ACH beds to Winchester, a previously approved but not yet developed facility. The applicants do not currently operate any of the ACH beds proposed for Winchester.

- (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 supplemental information received October 8, 2015, the applicants project the following payor mix during the second FFY of operation (FFY 2018):

Projected Payor Mix – FFY 2018 - Winchester	
Payor Source	ACH Beds
Private Pay	37%
State/County Special Assistance	63%
Total	100%

As shown in the table above, the applicants project 63 percent of residents will have services paid for by State/County Special Assistance with Medicaid and 37 percent of residents will be private pay residents. In Sections VI.4(a)-(b), pages 31-32, the applicants state that all persons will be admitted to the facility, receive services at the facility, and have the same payment policies regardless of race, color, creed, age, national origin, handicap, sex, or source of payment.

The applicants demonstrate that medically underserved populations will have adequate access to the proposed ACH 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 V.4, pages 31-32, the applicants state individuals will be admitted to Winchester upon the written order of a physician. In Section V.6, page 33, the applicants provide a list of referral sources for admission to Winchester. See the Admission Policies and Procedures in Exhibit M. 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 28, the applicants state that they met and consulted with the Director of Allied Health at Blue Ridge Community College. Exhibit K of the application for Project I.D. #B-10312-14 contains a letter from the Director of Allied Health stating that Winchester would be helpful to support the needs of student training. In Exhibit K of the current application, a letter from the Director of Allied Health states that the agency supports the relocation of the 40 ACH beds.

The information provided is reasonable and adequately supports a determination that 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

Hendersonco, LLC and Henderson AL Holdings, LLC propose to acquire and relocate 15 adult care home (ACH) beds from Country Meadow (Country Meadow) Rest Home in Henderson County and 25 ACH beds from Nana's Assisted Living (Nana's) in Buncombe County to Winchester House (Winchester). Winchester is a previously approved but not yet fully developed 40 ACH bed facility in Henderson County. At the completion of this project and Project I.D. #B-10312-14, Winchester will have a total of 80 ACH beds.

On page 217, the 2015 SMFP defines the service area for ACH beds as the ACH bed planning area in which the bed is located. Ninety-eight counties in the state are separate ACH bed planning areas. Two counties, Hyde and Tyrell, are considered a combined service area. Thus,

the service area for this facility consists of Henderson County. Facilities may also serve residents of counties not included in their service area.

The following table shows the existing and approved ACH beds located in Henderson County, per page 229 of the 2015 SMFP. The utilization figure is calculated from information submitted on days of care on each facility's 2015 License Renewal Application (LRA).

Inventory and Utilization of ACH Beds – Henderson County			
Facility Name	# of Beds	Days of Care	Utilization
Blue Ridge Retirement*	43	12,776*	81.4%*
Cardinal Care Center – Hendersonville	60	20,934	95.6%
Carillon Assisted Living of Hendersonville	96	18,593	53.1%
Carolina Village**	(60)	**	**
Cherry Springs Village	60	19,975	91.2%
Country Meadow Rest Home	15	5,019	91.2%
Emeritus at Heritage Lodge	24	8,640	98.6%
Henderson's Assisted Living	26	8,205	86.5%
McCullough's Rest Home	13	4,015	84.6%
Mountain View Assisted Living	27	6,973	70.8%
Winchester House #1**	(30)	**	**
Winchester House #2**	(10)	**	**
Spring Arbor of Hendersonville	61	18,272	82.1%
Spring Arbor West	48	12,130	69.2%
The Laurels of Hendersonville***	20	4,254	58.3%
Total Inventory and Days of Care /Average Utilization	493	139,786*	77.7%*

*The 2015 LRA for Blue Ridge Retirement did not provide the number of days of care. To calculate days of care, the Project Analyst divided the number of patients by the number of available beds and used the ratio to estimate the number of days of care (35 residents / 43 beds = 0.8139 or 81.4% occupancy rate; 43 beds x 365 days/year = 15,695 potential days of care; 15,695 potential days of care x 81.4% utilization = 12,776 days of care).

**These facilities reported on their 2015 LRAs that they had not served any residents within the last 12 months and thus are excluded from the calculations.

***This facility is a nursing home that also has ACH beds.

As shown in the table above, eight of the 12 facilities in use report greater than 80 percent utilization.

In Section V.4, pages 29-30, the applicants discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality, and access to the proposed services. See also Sections II, III, V, VI, and VII where the applicants discuss the impact of the project on cost-effectiveness, quality, and access to the proposed services.

The information in the application is reasonable and adequately demonstrates that any enhanced competition in the service area includes a positive impact on 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 for the proposed project and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.

- The applicants adequately demonstrate that they will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicants demonstrate that they will provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (3) and (13) are incorporated herein by reference.

Therefore, the application is conforming to this criterion.

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

C

In supplemental information received October 8, 2015, the applicants provide information to demonstrate that they or Meridian Senior Living, the management company for Winchester, currently own, lease, or manage 66 adult care homes in North Carolina. According to the files in the Adult Care Licensure Section, DHSR, no incidents occurred within the eighteen months immediately preceding submission of the application through the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on any facility owned and operated by the applicants or managed by Meridian Senior Living in North Carolina. After reviewing and considering information provided by the applicants and by the Adult Care Licensure Section and considering the quality of care provided at all 66 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.

NA

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