

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: September 28, 2015

Findings Date: September 28, 2015

Project Analyst: Jane Rhoe-Jones

Team Leader: Fatimah Wilson

Project ID #: J-11044-15

Facility: Waltonwood Lake Boone

FID #: 150152

County: Wake

Applicant: Waltonwood Lake Boone II, LLC

Project: Relocate 40 adult care home beds from James Rest Home to a new 40-bed facility, to include a 19-bed special memory care unit

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

Need Determination

The applicant for the proposed project is Waltonwood Lake Boone II, LLC (Waltonwood). The applicant proposes to acquire, replace and relocate 40 adult care home (ACH) beds from James Rest Home, located at 8420 James Rest Home Road in New Hill, to a new site at 3550 Horton Street in Raleigh. Both sites are located in Wake County. The replacement facility will include a 19-bed special memory care unit (SCU). In Section II, page 22, the applicant states it assumes that the moratorium on special care units (SB 744) will expire June 2016, or that the need demonstration in its application will meet the requirements of the Department of Health and Human Services (DHHS).

Waltonwood proposes to house the 40-bed ACH in a 57,881 square foot senior living community that will include 37 assisted living units and 145 independent living units. The 40 existing ACH beds at James Rest Home are listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2015 State Medical Facilities Plan (SMFP). 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 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 Wake County. 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."

The proposed capital expenditure is greater than \$4 million. In Section III.4, page 90, the applicant refers the reader to Exhibit 20 which contains an outline of the plan for the proposed project to assure improved energy efficiency and water conservation.

Conclusion

In summary, the applicant adequately demonstrates that its proposal is consistent with Policy LTC-2 (Relocation of Adult Care Home Beds) and Policy GEN-4 (Energy Efficiency and Sustainability for Health Service Facilities). 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 applicant proposes to acquire, replace and relocate 40 ACH beds within Wake County. The applicant plans to acquire the 40 ACH beds from James Rest Home located in New Hill, and relocate the beds to Waltonwood Lake Boone, to be located in Raleigh. The 40 replacement ACH beds will be situated in a senior living community which has a scheduled completion date of December 2017. The 40 existing ACH beds at James Rest Home are listed in the inventory of ACH beds in Chapter 11, Table 11A, page 240, of the 2015 SMFP.

In Section III.1, page 66, the applicant discusses the plans to acquire, replace and relocate the beds from James Rest Home. The applicant states that the current owners will continue to serve current residents until a certificate of need is issued to the applicant. James Rest Home has agreed to vacate residents through attrition and coordination with other providers of ACH services. The applicant refers the reader to Exhibit 21 for a letter from the current owner of James Rest Home confirming they have entered into an agreement to terminate all rights to

the 40 ACH beds once the applicant has been issued a certificate of need. See also Exhibit 22 for a copy of the asset purchase agreement between James Rest Home and Waltonwood Lake Boone II, LLC.

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 Wake County. Facilities may also serve residents of counties not included in their service area.

In Section III.7, page 93, the applicant provides the projected patient origin for the ACH beds at Waltonwood Lake Boone for the first full federal fiscal year of operation, as shown below in the table.

Waltonwood Lake Boone ACH FFY 2018 Projected Patient Origin	
COUNTY	% OF ACH ADMISSIONS
Wake	95.0%
*Chatham, Durham, Franklin, Granville, Harnett, Johnston, Nash	5.0%
Total	100.0%
*Counties adjacent to Wake County	

On page 93, the applicant states:

“Adult Care facilities without nursing home beds do not report patient origin on NC License Renewal Applications. Therefore, limited available data on adult care patient origin was available to the applicants [sic]. The applicants [sic] projected patient origin using two primary sources, patient origin data reported by nursing homes with adult care beds on 2015 License Renewal Applications and the applicant’s internal data and experience with Waltonwood Cary Parkway.

See Exhibit 35 for a summary of patient origin for adult care residents in Wake County licensed nursing homes. The vast majority of these residents are from Wake County. Of the 10 nursing homes that reported this data, the median percent origin of Wake was 91 percent. ... Most of the non-Wake County residents in these facilities are from neighboring counties. ...”

The applicant adequately identifies the population to be served.

Analysis of Need

In Section III.1, pages 62-81, the applicant describes the current state of ACH services in Wake County and the need to relocate the 40 existing ACH beds from James Rest Home, as an effort to sustain an accessible supply of ACH beds in the county. The applicant also states that, although there is no need identified in the 2015 SMFP, it is important to replace ACH beds from closed facilities and relocate them to areas of demand. The following points summarize the remainder of the applicant's statements about the need for adult care homes in Wake County:

- Projected deficit of ACH beds in 2018: The applicant projects a deficit of 82 beds in 2018 (first project year of operation) which increases to a deficit of 354 beds in 2020 (the third project year of operation). The applicant states that its methodology is based on assumptions that facilities have limitations on admissions.
- Growth and aging of population: The applicant states that one of the largest and fastest growing counties in North Carolina is Wake County. The applicant states in a table on page 65 that the Wake County 65+ populations is projected to grow at a compound annual growth rate (CAGR) of 5.61% between 2015-2019 as compared to 3.4% for the state. The ACH use rate per 1,000 population is higher for the elderly than other age groups.
- Higher quality adult care services needed: The applicant compares star ratings for four select counties (Wake, Forsyth, Guilford and Mecklenburg). The highest quality rating by the Division of Health Service Regulation (DHSR) is four stars. Of the ACHs in those counties, only 51.5% had four stars, while 11.0% had two stars or less.
- Need to preserve the beds at James Rest Home when it closes: The applicant states that its methodology indicates a deficit in ACHs in Wake County; therefore the applicant sees a need to preserve the beds from James Rest Home to prevent any further increase in the deficit of ACH beds in the county.
- Need for memory care beds: On page 67, the applicant provides a table which shows that from 2012 to 2014, Wake County adult care residents with Alzheimer's increased from 1,054 residents (48.4%) to 1,297 residents (56.3%), a 24.1% increase (Source: 2013, 2014 and 2015 License Renewal Applications). The applicant also states that only 30.13% of ACH beds are reserved for memory care based on the current inventory of ACH beds. Furthermore, James Rest Home does not currently offer a SCU.
- Need to locate adult care beds for better accessibility: On pages 69-71, the applicant presents Wake County population data by township. The most densely populated area of the county is the Raleigh Township where the applicant proposes to locate the Waltonwood ACH. The Raleigh Township is also stated to have the highest number of residents in every age category. (Source: Neilson Claritas)

- Age of adult care homes in the county: The applicant states that 22 years is the average age of ACHs in Wake County (Source: NC DHHS, Office of the Controller, ACH Cost Reports). Exhibit 30 contains a list of Wake County ACHs by age and ranges in age from two years old to 53 years old. James Rest Home is stated to be 45 years old by the applicant on page 66. Its age supports the need to relocate beds to the new facility.
- Available beds vs. licensed beds and the true availability of beds: The applicant discusses unused capacity in double occupancy rooms. On page 72, the applicant states, *“Today, few people want to share adult care rooms and adult care homes find it increasingly difficult to fill double occupancy rooms.”* After consulting the Wake County Division of Social Services, Senior and Adult Care Services website, the applicant further states on page 72, that, *“Oftentimes, the number of available beds is lower than the number of licensed beds.”*
- Need for more private ACH beds: The applicant states that while it is important to have ACH double occupancy to accommodate couples, some residents may not be willing or able to accommodate double occupancy. The applicant proposes to provide 34 single occupancy rooms and three double occupancy rooms to meet the need for more private rooms.
- Need to serve a greater Medicaid population: The applicant states that the Wake County Department of Social Services (DSS) often has difficulty placing Medicaid patients. In Section IV.1, page 95, the applicant states, *“Of the occupied beds at James Rest Home, only 14, or 43.8 percent were Medicaid beneficiaries.”* Also on page 95, the applicant states that it plans to provide access to Medicaid beneficiaries.
- James Rest Home, built in 1970, is proposing to close for several reasons that include the age of the facility (45 years old) which requires physical infrastructure upgrades. The facility has been cited and fined on several occasions for multiple deficiencies. In Section III, page 66, the applicant states: *“In 2014, ... state inspectors found multiple deficiencies, and fined the home ... after two separate inspections. Typical state inspections occur once a year, but the county will sometimes follow up with ‘County Monitoring Visits.’ James Rest Home had five total inspections in 2014, including its annual inspection and four County Monitoring Visits. As a result of these inspections, James Rest Home’s star rating dropped from three to one in June 2014; it has since moved to two.”* James Rest Home is an aging facility that would require substantial capital to correct facility issues, therefore the owners have opted to close it. The owners would still close the facility even if the applicant had not opted to purchase the rights to the 40 ACH beds. The applicant has two other facilities in the state that after state inspections have achieved star ratings of five and four (five star ratings are the highest). The project is justified because the applicant proposes to replace the beds in a state of the art facility in a more densely populated area of Wake County; as well as adding an SCU to meet the needs of a growing aging population with dementia.

In Section III.1(b), pages 74-79, the applicant discusses its seven-step methodology and assumptions used to project the need for the proposal, as outlined below:

1. Determine projected Wake County population – all age groups in Wake County are projected to increase from 2016 to 2020. Annual percent growth rates for ages: 65-74 = 5.81%; 75-84 = 7.18% and 85 years up = 4.43%.
2. Determine 2015 SMFP ACH five year average use rates, which increase with age: 5.80 = 65-74 years; 19.91 = 75-84 years and 74.35 = 85 years up.
3. Calculate ACH bed need for Wake County – divide age group specific population for years 2016-2020 and multiply the use rates in Step 2. The applicant projects 3,100 ACH beds will be needed in 2020 up from 2,621 beds in 2016.
4. Adjust the bed need for occupancy –use an occupancy factor of 90% and divides age specific needs from Step 3 by 90%. The bed need changes from 3,100 to 3,444 beds needed in 2020; which is approximately a 3% increase. Note: the methodology in the 2015 SMFP uses an 85% use rate, not 90%.
5. Determine the number of beds to subtract from the inventory because they are not part of a continuing care retirement community. Eighty-two beds fit this category.
6. Determine the adjusted Wake County ACH bed inventory – subtract the adjustments to the inventory from Step 5 from the total county ACH bed inventory as reported in the 2015 SMFP.
7. Calculate the surplus or deficit of ACH beds in Wake County for 2016-2020 – subtract the projected bed need for each respective year in Step 4, from the total ACH bed inventory in Step 6 to derive the deficit of 82 beds in 2018. The deficit assumes the 40 James Rest Home beds are available.

The applicant adequately demonstrates the need to relocate the 40 beds from James Rest Home to a new facility designed and equipped to serve the aging population of Wake County, based on the discussions above.

Special Care Unit (SCU)

In Section II.3 (a-c), pages 48-58, the applicant describes the services for the proposed 19-bed SCU as follows:

- Residents will have access to staffing (higher staffing ratios) and services tailored to the needs of memory impaired persons in the Alzheimer's SCU, including dementia management
- Individual assessment and care planning
- Nutritional needs to include well-balanced meals and healthy snacks

- Behavioral intervention
- Care planning and care giving partnership between family and staff
- Therapeutic activities
- Safety measures including separate physical environment (self-contained) that addresses dementia dangers
- Alignment with the standards of the Alzheimer's Association
- Multi-sensory experiences, daily exercise, outings, group activities, and regularly scheduled visits with children
- Hydration programs encouraging water and juices six times daily
- Volunteer program

The applicant states the proposed SCU will be designed and operated in compliance with licensure requirements and design features. The applicant adequately demonstrates the need for a 19-bed Alzheimer's SCU.

Projected Utilization

In Section IV, pages 96-100, the applicant provides the assumptions and methodology for projecting utilization of the 40 ACH beds for the first three full federal fiscal years (FFYs). Below is a summarization of the applicant's assumptions and methodology.

- More ACH beds are needed in Wake County due to high occupancy rates in existing ACHs.
- The proposed location of Waltonwood Lake Boone will provide easy access for Wake County Residents.
- The applicant filled the Waltonwood Cary facility to target occupancy within nine months, and thinks it is reasonable to project a similar fill rate for Waltonwood Lake Boone. The projected facility fill rate is four residents per month toward target occupancy of 93% in 10 months.
- Target occupancy is less than 100% to allow for a consistent occupancy level. The applicant states its experience in operating other facilities as the basis for this assumption.
- Projected ACH need in 2018-2020 supports targeted occupancy beyond the third operating year.
- Waltonwood Cary currently has a waiting list for an ACH bed, and if approved, Waltonwood Lake Boone will be an additional source of ACH beds in Wake County.
- Until Waltonwood Lake Boone reaches target occupancy (after January 2018), the applicant expects to serve 27% Medicaid beneficiaries. The applicant provides a

table on page 97 which shows that at the end of the first project year, 10 of 37 residents (27%) will be Medicaid patients.

- The applicant projects two Medicaid residents and two private pay residents per month beginning in January 2018.

In Section II.3(b), page 54, the applicant describes the proposed ACH beds, as depicted below in the table:

WALTONWOOD LAKE BOONE PROPOSED BEDS			
	Traditional ACH	SCU	Total
Private Beds	17	17	34
Semi-private Beds	4	2	6
Total Beds	21	19	40

In Section IV, pages 99-100, the applicant provides projected utilization, as illustrated below in the table:

WALTONWOOD LAKE BOONE PROJECTED UTILIZATION			
	1ST FULL FFY (10/1/17 – 9/30/18)	2ND FULL FFY (10/1/18 – 9/30/19)	3RD FULL FFY (10/1/19 – 9/30/20)
Adult Care Home Beds (excluding special care unit)			
Patient Days	4,170	6,935	6,935
Occupancy Rate	54.0%	90.0%	90.0%
Number of Beds	21	21	21
Special Care Unit (Memory Care)			
Patient Days	4,312	6,570	6,570
Occupancy Rate	56.0%	95.0%	95.0%
Number of Beds	19	19	19
Total Adult Care Home Beds			
Patient Days	8,482	13,505	13,505
Occupancy Rate	54.0%	93.0%	93.0%
Number of Beds	40	40	40

As shown in the table above, in the second FFY of operation, Waltonwood projects the 40 ACH beds will operate at 93.0% of capacity $[(13,505 \text{ days} / 365 \text{ days per year}) / 40 \text{ beds} = 0.925 \text{ or } 92.5\%]$. Projected utilization is based on reasonable and adequately supported assumptions.

Projected utilization is based on reasonable and adequately supported assumptions.

Access

In Section IV.1, page 95, the applicant states, “Of the occupied beds at James Rest Home, only 14, or 43.8 percent were Medicaid beneficiaries.” In Section IV.2, page 110, the applicant states,

“The applicant projects both private pay and State/County Assistance with Basic Medicaid residents. ... will assist residents in applying for State/County Assistance as necessary. ... will make available all amenities at Waltonwood Lake Boone to all residents, regardless of payer status.”

On page 110, the applicant also projects the following payor mix for the ACH beds:

WALTONWOOD LAKE BOONE Projected ACH Payor Mix OCTOBER 1, 2018-SEPTEMBER 30, 2019		
PAYOR SOURCE	ACH (EXCLUDING SPECIAL CARE)	SPECIAL CARE UNIT
Private Pay	51.4%	21.6%
Special Assistance with Basic Medicaid	0.0%	27.0%
Special Assistance with Enhanced Medicaid	0.0%	0.0%
Total	51.4%	48.6%
Total Facility		100.0%

Although Waltonwood Lake Boone will be a new facility and has no historical payor mix, the applicant states on page 177 of the proforma assumptions that average monthly service income per private pay ACH resident and SCU resident is based on Waltonwood historical experience. As the applicant states in Section I, page 13, other Waltonwood facilities in North Carolina (Waltonwood Providence, Waltonwood Cary Parkway and recently licensed Waltonwood Cotswold) have the same owners who also own Singh Development, LLC. Singh Development, LLC develop and manage all Waltonwood facilities.

The applicant adequately demonstrates 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 applicant adequately identifies the population to be served, adequately demonstrates the need to acquire, replace and relocate the 40 existing ACH beds within Wake County, and adequately demonstrates 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 a new 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 applicant proposes to acquire, replace and relocate 40 licensed ACH beds from James Rest Home, located at 8420 James Rest Home Road in New Hill, to a new site at 3550 Horton Street in Raleigh. Both sites are located in Wake County. According to Google Maps, the proposed site is located less than 25 miles from the existing site. Therefore, the 40 beds would be geographically accessible to the same population previously served at James Rest Home. In Section IV.1, page 95, the applicant states, “*James Rest Home intends to close.*” The facility was built in 1970 and is proposing to close for several reasons that include the age of the facility (45 years old) which requires physical infrastructure upgrades. The applicant states in Section III, page 66, that the facility has been cited and fined on several occasions for multiple deficiencies. James Rest Home is an aging facility that would require substantial capital to correct facility issues, therefore the owners have opted to close it. The owners would still close the facility even if the applicant had not opted to purchase the rights to the 40 ACH beds. In Section III.5, pages 90-91, the applicant states,

“In accordance with the agreement in Exhibit 21, page 8, paragraph 5.1(e), James Rest Home will relinquish all ownership of and rights to the license for 40 adult care home beds.

There will be a time lapse between surrender of the James Rest Home adult care home bed licensure and licensure of the beds at Waltonwood Lake Boone, when the 40 beds will be out of service. ...

Owners of James Rest Home (JRH) will cease offering adult care home services when Waltonwood Lake Boone II, LLC receives the Certificate of Need associated with this application. At that time JRH will follow procedures for Discharge of Residents identified in licensure regulations 10A NCAC13F.0702, which include 30-day resident notice of JRH intent to cease offering adult care home services. JRH owners have committed to assist those residents who still need adult care home support to find appropriate placement. ...”

The applicant demonstrates 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), pages 82-84, the applicant discusses the alternatives considered for meeting the needs for the proposed project. The six alternatives the applicant considered are summarized as follows:

- 1) Maintain the status quo - James Rest Home is an aging facility that would require substantial capital to correct facility issues, therefore the owners have opted to close it. The owners would still close the facility even if the applicant had not opted to purchase the rights to the 40 ACH beds. This option is not considered the most effective alternative.
- 2) Renovate the existing facility - The applicant dismissed this alternative because aside from its rather remote location (not near amenities such as shopping or medical care), to bring the current facility to code would require replacement, not renovations.
- 3) Select a different site - After analyses of various available properties, the applicant decided that the Lake Boone Trail property offers accessibility to commercial shopping areas and health services (less than a mile from Rex Hospital and close proximity to primary and specialty care clinics). Residents of adult care facilities are prime users of physicians and associated health care services. The applicant deemed this alternative to relocate 40 ACH beds to Waltonwood Lake Boone as the most effective as it is proposed to meet county needs for ACH and memory care beds and provide these services in a new and modern facility.
- 4) Develop fewer than 40 ACH beds - the applicant dismissed this alternative because fewer than 40 beds or dividing the beds among multiple locations would increase the cost per bed. Delicensing or moving beds from Wake County would limit the availability of ACH beds for Wake County residents.
- 5) Use a different service mix - the applicant feels its selected mix of ACH and special memory care beds meets requests and promotes accessibility for all area residents, regardless of income. The applicant will make services available for residents that need Medicaid and/or state/county financial assistance.
- 6) Relocate 39 beds from Waltonwood Cary Parkway - the applicant determined that the residents in the double occupancy units (that could be converted to private units) at Waltonwood Cary Parkway might like to have the double occupancy units converted to private units when the other person occupying a double occupancy unit left. Thus, relocating beds from Waltonwood Cary Parkway is not the most effective alternative because it would take away the flexibility to convert units from double occupancy to private as necessary.

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 applicant adequately demonstrates 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. **Waltonwood Lake Boone II, LLC shall materially comply with all representations made in the certificate of need application.**
 2. **Waltonwood Lake Boone II, LLC shall relocate no more than 40 ACH beds from James Rest Home to its proposed Waltonwood Lake Boone facility, for a facility total of no more than 40 ACH beds which may include a 19-bed memory care unit.**
 3. **For the first two years of operation following completion of the project, Waltonwood Lake Boone II, LLC shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section X of the application, without first obtaining a determination from the Agency that the proposed increase is in material compliance with the representations in the certificate of need application.**
 4. **Waltonwood Lake Boone II, LLC shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI. 2.**
 5. **Waltonwood Lake Boone II, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to acquire, replace and relocate 40 licensed ACH beds from James Rest Home, located at 8420 James Rest Home Road in New Hill, to a new site at 3550 Horton Street in Raleigh. Both sites are located in Wake County.

Capital and Working Capital Costs

In Section VIII.1, page 128, the applicant projects the total capital costs for the proposal will be \$4,880,722, which includes:

Site Costs	\$203,806
Construction / Renovation Costs	\$4,048,924
Miscellaneous Costs	\$627,991
Total	\$4,880,721

In Section VIII.2, page 129, the applicant indicates that the capital costs of the project will be financed via a commercial loan. In Section IX.1, page 133, the applicant states that the estimated period of time for start-up is two months, and start-up expenses will be \$365,209. In Section IX.3, page 134, applicant states that the total working capital needed is \$1,151,711, which includes the start-up expenses and \$786,503 for eight months of initial operating expenses. On page 137, the applicant states that the working capital will be financed by a commercial loan in the amount of \$1,200,000.

Availability of Funds

Exhibit 16 contains a copy of a June 15, 2015 letter from the First Vice President of Commercial Real Estate for Flagstar Bank, which states:

“We understand that Waltonwood Lake Boone II, LLC is applying for a Certificate of Need to relocate 40 adult care beds from an existing facility in Wake County to a newly constructed facility off Lake Boone Trail in Raleigh, North Carolina. We are prepared to fully underwrite and process a loan request of up to \$10,000,000, which also includes the required working capital, specifically for the adult care home project, which will cover 100 percent of the capital costs. ...”

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs for this project.

Financial Feasibility

In Section X.4, pages 142-143, the applicant projects charges/rates for the first two operating years following completion of the project. The monthly private pay charges/rates for ACH facility beds (excluding the special care unit) is projected to be \$199.47 for both a private room and a semi-private room in each of the first two full federal fiscal years. The monthly charges/rates for the special care unit beds is projected to be \$74.14 for both a private room and a semi-private room in each of the first two full federal fiscal years. The charges/rates are shown in the following table:

WALTONWOOD LAKE BOONE PROJECTED CHARGES/RATES				
Source of Payment by Type of Care	First Federal Fiscal Year (FFY 2018)		Second Federal Fiscal Year (FFY 2019)	
	Private Room	Semi-Private Room¹	Private Room	Semi-Private Room
ACH (excluding special care unit)				
Private Pay	\$199.47	\$199.47	\$199.47	\$199.47
State/County Assistance ²	\$63.19	\$63.19	\$63.19	\$63.19
Special Care Unit				
Private Pay	\$202.74	\$202.74	\$202.74	\$202.74
State/County Assistance ³	\$74.14	\$74.14	\$74.14	\$74.14
Note: 1. Rates assume single occupant in a semi-private room. Private pay room rates are set by the room. Double occupancy for private pay residents would reduce the daily rate by half. 2. State/County special assistance for adult care includes \$1,228 in monthly county assistance and 50 hours. 3. State/County special assistance for special care includes \$1,561 in monthly assistance and 50 hours of Medicaid Personal Care Services at the current NC rate of \$3.47 per 15 minutes of service. See pro forma assumptions (Tab 13) for more detail.				

Furthermore, in Forms B (Revenue Statement) and C (Expense Statement), the applicant projects that operating expenses will exceed revenues during the first full federal fiscal year. However, in operating year two (2019), revenues will exceed operating expenses as shown below in the table.

WALTONWOOD LAKE BOONE REVENUES & EXPENSES			
	ADULT CARE HOME BEDS	SPECIAL CARE UNIT BEDS	TOTAL ACH
First Full Project Year (FFY 2018)			
Revenues	\$1,010,777	\$785,365	\$1,796,142
Operating Costs	\$1,230,748	\$1,292,104	\$2,522,852
Net Income	\$(219,971)	\$(506,740)	\$(726,711)
Second Full Project Year (FFY 2019)			
Revenues	\$1,598,089	\$1,066,051	\$2,664,140
Operating Costs	\$1,281,531	\$1,275,955	\$2,557,487
Net Income	\$ 316,558	\$(209,905)	\$ 106,653

Waltonwood adequately demonstrates that projected revenues and operating costs are based on reasonable and adequately supported assumptions (Pro Formas, pages 175-183), including projected utilization. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

In summary, Waltonwood adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of operating 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 applicant proposes to acquire, replace and relocate 40 ACH beds from James Rest Home to a new site also in Wake County. James Rest Home's 40 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 result in an increase in the inventory of ACH beds in Wake 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 Wake County. Facilities may also serve residents of counties not included in their service area.

James Rest Home, located at 8420 James Rest Home Road, New Hill, is located less than 25 miles from the proposed site at 3550 Horton Street in Raleigh. The distance was obtained from Google Maps¹.

According to the 2015 SMFP, there are currently a total of 47 existing facilities in Wake County that offer ACH services. The table below is a summary of the 47 facilities in Wake County. The table is recreated from the 2015 SMFP, Chapter 11, Table 11A, pages 239-241 and Table 11B, page 245. There is a projected surplus of 343 ACH beds in 2018 for Wake County.

2015 SMFP ACH Inventory & 2018 Need Projections Wake County	
# ACH Facilities	47
# Beds in ACH Facilities	2,929
# Beds in Nursing Homes	235
Total Licensed Beds	3,164
# CON Approved	65
Total # Available	3,229
Total # in Planning Inventory	3,203
Projected Bed Surplus	343
Source: 2015 SMFP	

The applicant does not propose to develop new ACH beds, but rather to replace an old ACH facility (which will be closing) and relocate its existing 40 beds. There will be no increase in the inventory of ACH beds or the number of facilities in Wake County. The discussions

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

regarding need and cost effectiveness found in Criterion (3) and Criterion (4), respectively, are incorporated herein by reference. The applicant adequately demonstrates that the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Wake 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 116-117 and 120-121, the applicant provides proposed staffing. On page 117 provides the FTEs for direct care staff as shown below in the table.

Waltonwood Lake Boone ACH Proposed Direct Care Staffing	
Position	Number of Full-Time Equivalent (FTE) Positions Project Year 2
Day Shift	
ACH bed (excluding special care unit)	3.5
Special Care Unit	3.5
Total ACH	7.0
Evening Shift	
ACH bed (excluding special care unit)	3.5
Special Care Unit	3.5
Total ACH	7.0
Night Shift	
ACH bed (excluding special care unit)	2.1
Special Care Unit	3.5
Total ACH	5.6
Total 24 Hour	
ACH bed (excluding special care unit)	9.1
Special Care Unit	10.5
Total ACH	19.6

On page 121, the applicant provides FTEs for all staffing positions, as shown below in the table.

Waltonwood Lake Boone ACH Proposed Total Staffing			
Position	ACH	SCU	Number of Full-Time Equivalent (FTE) Positions Project Year 2
Routine Services			
Resident Care Manager	.49	.51	1.00
Wellness Coordinator	.49	.51	1.00
Med Techs (a)	2.10	2.10	4.20
Caregivers (b)	7.00	8.40	15.40
Dietary			
Dining Services Director	.25	.25	.50
Wait Staff	1.89	1.96	3.85
Cooks	1.38	1.42	2.80
Dishwashers	.69	.71	1.40
Activity Services			
Activities Manager	.49	.51	1.00
Activities Assistant	.20	.20	.40
Forever Fit	.06	.06	.13
Activities Driver 1	.12	.12	.24
Housekeeping & Laundry			
Housekeepers	.92	.95	1.88
Operations & Maintenance			
Maintenance Supervisor	.25	.25	.50
Maintenance Technician 1	.25	.25	.50
Administrative & General			
Executive Director	.25	.25	.50
Receptionist	1.03	1.07	2.10
Leasing Agent 1	.25	.25	.50
Leasing Agent 2	.25	.25	.50
TOTAL POSITIONS	18.34	20.05	38.39

In Section VII.6, page 125, the applicant describes its experience and process for recruiting and retaining staff. Exhibit 13 contains copies of letters that the applicant sent to local colleges and training programs to inform them of employment opportunities with the proposed ACH. The applicant adequately demonstrates 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 27 the applicant states, “All of the services ... will be provided in accordance with all applicable license rules, and standards for adult care homes ...” On pages 41 and 47-48, the applicant states that its residents will be provided transportation,

laundry services, family support group, home health and hospice (to include durable medical equipment). In Section II.4, page 58, the applicant states that the following ancillary and support services will be contracted by Waltonwood: pharmacy and food service management. The following services will provided via contracts with providers and residents: physician and dental, home health, hospice, therapy, barber and beauty. The applicant also states that area pastors will provide chaplain services. If residents need skilled nursing care, they will be transferred to a skilled nursing facility. Exhibits 10 and 11 contain letters from home health care, therapy (physical, occupational and speech), and pharmacy agencies indicating they will provide services to Waltonwood Lake Boone ACH residents. The applicant adequately demonstrates that it 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 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 replacement facility is estimated to be 57,881 square feet. Construction is projected for completion in August 2017 and beds licensed in December 2017. The beds are being relocated from James Rest Home which the applicant states will be closed by the time Waltonwood is completed. Upon completion of the new construction there will be 34 private adult care home beds and six semi-private beds; while 19 of the 40 beds will be in a special care unit. Total construction costs are projected to be \$4,880,722.

Exhibit 8 contains a letter from an architect stating that construction costs for the 40-bed ACH is estimated to be \$4,048,924 which corresponds with line 9 in Table VIII.I, page 128 of the application. In Section XI.14, page 155, the applicant refers the reader to Exhibit 20 for a letter from the architect detailing the energy and water saving features to be included in the proposed project.

The applicant adequately demonstrates 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. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. Therefore, the application is conforming to this criterion.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

Waltonwood Lake Boone ACH is not an existing facility.

- (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 113, the applicant states:

“Waltonwood Lake Boone is not an existing facility. However, no person or persons has [sic] filed civil rights complaints filed against any facilities owned or operated in North Carolina by the applicant or the applicant’s common owners.”

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 110, the applicant provides the projected payer mix for ACH services at Waltonwood for FFY2019 (the second full federal fiscal year of operation), as shown in the following table:

ACH Services at Waltonwood Lake Boone Payor Category	ACH Residents (excluding SCU)	SCU Residents
Private Pay	51.4%	21.6%
Special Assistance-Basic Medicaid	0.0%	27.0%
Special Assistance-Enhanced Medicaid	0.0%	0.0%
Total	51.4%	48.6%
Total Facility		100.0%

As illustrated in the table above, 27% of all ACH resident days are projected to be paid for by Special Assistance. The applicant demonstrates that medically underserved populations will have adequate access to the adult care home services provided by Waltonwood. 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 113, the applicant states that access to the ACH services offered at Waltonwood will occur by a range of means to include: self-referrals, Wake County Division of Social Services, Alzheimer’s Association - Eastern N.C. Chapter, area hospitals, nursing facilities, hospices, home care and home health agencies, physicians, family members, churches and adult day care facilities.

The applicant adequately demonstrates it will 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 Section V.1, page 104, the applicant states having contacted several Wake County area health professional training programs to offer Waltonwood Lake Boone as a clinical training site. Exhibit 13 contains copies of letters to Wake Tech Community College, Care One Health Training Institute and Miller-Motte College.

The applicant adequately demonstrates 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 applicant proposes to acquire, replace and relocate 40 ACH beds from James Rest Home to a new site also in Wake 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 Wake County. Facilities may also serve residents of counties not included in their service area.

James Rest Home's 40 licensed 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 result in an increase in the inventory of ACH beds or facilities in Wake County.

According to the 2015 SMFP, there are currently a total of 47 existing facilities in Wake County that offer adult care home services. The table below is a summary of the 47 facilities in Wake County. The table is recreated from the 2015 SMFP, Chapter 11, Table 11A, pages 239-241 and Table 11B, page 245. There is a projected surplus of 343 ACH beds in 2018 for Wake County.

2015 SMFP ACH Inventory & 2018 Need Projections Wake County	
# ACH Facilities	47
# Beds in ACH Facilities	2,929
# Beds in Nursing Homes	235
Total Licensed Beds	3,164
# CON Approved	65
Total # Available	3,229
Total # in Planning Inventory	3,203
Projected Bed Surplus	343
Source: 2015 SMFP	

In Section III, pages 72-74, the applicant describes quality and other issues with regard to the existing ACH facilities in Wake County. The applicants state that the average age of ACHs in Wake County is 22 years. See Exhibit 30 for a summary of Wake County ACH age-related data. The applicant states that many of the facilities are largely outdated, and some have few or no private rooms; therefore, the patients who desire private rooms have been occupying semi-private rooms. As a result, the functional occupancy rate for those Wake County facilities is actually higher than the reported occupancy rate. In addition, the applicant states that Wake County needs more Special Assistance beds and that Waltonwood will provide access to Medicaid beneficiaries.

In Section III.1(3), page 79, the applicant states,

“The project will not significantly impact other adult care or nursing facilities in the county. As discussed in Section III.1(e), sufficient demand for the 40 beds already exists and many adult care homes in Wake County have very high occupancy rates. Moreover, the project replaces beds from a facility that was [sic] 80 percent full in 2014.”

In Section V.4, page 107, the applicant states,

“The proposed project will have a positive impact on the cost-effectiveness, quality of care and access of underserved groups to the services proposed. This will, in turn, have a positive impact on competition in Wake County. The project will increase access to adult care home services in Wake County. The project will also add 19 secure Alzheimer’s SCU beds and additional Medicaid beds to Wake County. ...”

The applicant provides more detailed information on its proposal and the impact on cost effectiveness, quality of care and improved access for underserved groups on pages 107-109.

The applicant also refers the reader to Section II.4 for the discussion of Policy GEN-3 regarding cost, quality and improved access of ACH services in Wake County.

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

The information provided by the applicant 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 applicant adequately demonstrates the need to acquire, replace and relocate the 40 ACH beds from James Rest Home to a new site also in Wake County and that the proposed project is a cost-effective alternative to meet the documented need for ACH services. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that Waltonwood will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicant adequately demonstrates that Waltonwood 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.

C

In Section I.12(a), page 13, the applicant states that its owner currently owns, leases, or manages three ACH facilities in North Carolina. According to the files in the Adult Care Licensure Section, DHSR, one violation occurred at one of the facilities within the eighteen months immediately preceding submission of the application through the date of this decision related to quality of care. As of the date of this decision, the problems had been corrected. After reviewing and considering information provided by the applicant and by Adult Care Licensure Section and considering the quality of care provided at all Waltonwood facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore the application is conforming to this criterion.

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

NA