

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 12, 2016

Findings Date: April 12, 2016

Project Analyst: Jane Rhoe-Jones

Team Leader: Fatimah Wilson

Project ID #: P-11113-15

Facility: Onslow Assisted Living

FID #: 150505

County: Onslow

Applicant(s): Onslow Propco Holdings, LLC

Onslow Opco Holdings, LLC

Agemark Acquisition, LLC

Project: Acquire, replace and relocate the existing 40-bed Holly Ridge Assisted Living adult care home facility and change the name to Onslow Assisted Living.

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants, Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC, and Agemark Acquisition, LLC propose to acquire, replace and relocate 40 existing adult care home (ACH) beds from Holly Ridge Assisted Living located at 325 Sound Road in Holly Ridge to Onslow Assisted Living, the proposed replacement facility, to be located at Hammock Beach Road in Swansboro, for a total of 40 ACH beds upon project completion. Both sites are located in Onslow County. The applicants state in Section III.1(b), page 12, that the current facility was “forced” to closed due to licensure concerns. In Exhibit D, page 102, the applicants also provide a letter from Hunter Trefzger, certificate of need coordinator for Onslow Propco Holdings, LLC, which states that Holly Ridge Assisted Living is currently closed.

The beds are being acquired through an asset purchase agreement between the applicants and the facility's current owner, Pinewood of Pink Hill, LLC. The applicants provide a copy of the asset purchase agreement in Exhibit C.

Need Determination

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

Policies

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.”*

The applicants are proposing to relocate existing licensed ACH beds within the host county. 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 resident or resident health, safety or infection control."

In Section X.9, page 40, 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, replace and relocate 40 existing ACH beds from Holly Ridge Assisted Living in Onslow County to the proposed replacement facility, Onslow Assisted Living, also in Onslow County for a total of 40 ACH beds upon project completion.

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

In Section III.7(a), page 15, the applicants state that current resident origin for Holly Ridge is not available because the facility is closed. In Section III.7(b), page 15, the applicants provide the projected resident origin for Onslow Assisted Living, as shown below in the table:

ONSLow ASSISTED LIVING PROJECTED RESIDENT ORIGIN BY COUNTY FFY1 (2018)	
County	% of Admissions
Onslow	100%
Total	100%
FFY = Federal Fiscal Year	

In Section III.7(c), page 15, the applicants discuss projected patient origin and state:

“Projected patient origin will be different from existing patient origin only because the facility is not open, and therefore has no residents” [sic] The replacement facility will be within a short drive for a majority of the residents of Onslow County.”

According to *MapQuest*, the distance (shorter suggested route) between Jacksonville and Swansboro (proposed replacement ACH site) is 22 minutes or 18.4 miles. The Jacksonville municipality (which includes Camp Lejeune) is centrally located in, and is the most heavily populated area of Onslow County, with 76,576 people according to the State Office of Budget and Management (OSBM Certified Municipal Estimates 2014). Therefore, it seems reasonable to conclude that the majority of the residents for the proposed ACH will come from Jacksonville. The applicants adequately identify the population to be served.

Analysis of Need

The replacement facility is proposed for a geographic area (Swansboro population is 2,916) of Onslow County that is more heavily populated than the area in which the facility being replaced is located (Holly Ridge population is 1,493). Furthermore, both Holly Ridge and Swansboro are approximately equidistant from Jacksonville (population 76,576) which is the most heavily populated municipality in Onslow County and almost in the center of the county (Source: Population Statistics - NC Office of State Budget and Management/Certified Municipal Estimates, July 2014).

In Exhibit E, the applicants provide data from *Esri Onslow County Demographic Data* and in Exhibit F, the *NC State Data Center Aging Profile*. In Section III.1, page 12, the applicants discuss the need for the proposed project.

On page 12, the applicants state,

“The current facility is old and does not have modern systems that could otherwise improve quality of care and increase efficiency. The facility is not protected by a fire sprinkler system. The systems and insulation in place are not energy efficient. Lighting is insufficient to conduct quality care.”

In supplemental information received by the Agency on February 29, 2016, the applicants further address the following:

- Population aged 65 and over – *“The number of people currently over the age of 65 is relevant due to the fact that many national studies have concluded that this age is the typical threshold for determining those people needing assistance with activities of daily living, generalized care, and/or dementia. In observance of this fact, Meridian seeks to establish buildings in areas that are visually attractive and provide accessibility to those folks needing care.”*
- Methodology to justify need – *“The methodologies utilized in our research, are those currently published by National Center for Aging alongside those formulas utilized in the publishing of the NC State Medical Facilities Plan.”*
- Onslow County has a surplus of 12 ACH beds – *“Onslow County is currently experiencing a surplus as such Meridian has sought to re-invest those beds elsewhere in the County to provide greater accessibility to residents alongside a nice building.”*
- The county’s projected increase in population over age 65 – *“Meridian actively researches growth rates in its analysis of markets. This is important due to the fact that we can accurately determine our market base for years to come.”*
- Conclusion – *“The conclusion drawn from the research discussed above is that Onslow County has a strong growth rate of aged 65+ individuals, this in connection with an under-utilized bed source lends the analysts at Meridian to believe that the relocation of these beds to a visually attractive site alongside a newer building will enhance the overall quality of care in Onslow County.”*

The need for the proposed project is not based on a county-wide need determination in the SMFP, but on the need to replace the 40-bed facility which did not meet relicensing requirements with a newly constructed replacement that will meet current construction, safety and energy efficiency codes and regulations.

The applicants adequately demonstrate the need to acquire, replace and relocate the 40 ACH beds within Onslow County from Holly Ridge Assisted Living to Onslow Assisted Living.

Projected Utilization

In Section IV.2, page 17, the applicants provide projected quarterly utilization data for the first two full FFYs of operation of the project, as summarized below in the table.

ONSLow ASSISTED LIVING PROJECTED UTILIZATION		
	FFY 1 10/1/17 – 9/30/18	FFY 2 10/1/18 – 9/30/19
Resident Days	9,327	13,870
Occupancy Rate	63.8%	95.0%
# of Beds	40	40

As shown in the table above, the applicants project the 40 ACH beds will operate at approximately 64 percent occupancy [$9,327 / (40 \times 365) = 0.6388$] in FFY 2018; and at 95 percent occupancy [$13,870 / (40 \times 365) = 0.95$] in FFY 2019.

In Section IV.3, page 18, the applicants refer the reader to Exhibit L where the assumptions and methodology used to project utilization are provided and below summarized. The applicants provide further clarification in Attachment C of supplemental information received by the Agency on February 29, 2016.

- Facility begins operations with 10 ACH reserved beds on October 1, 2017.
- The ACH beds will be occupied at a rate of three new residents per month until the population stabilizes.
- The ACH will be considered full at 95% occupancy in September 2018, the end of the second full federal fiscal year.
- The payor mix will consist of 75% private pay and 25% State/County Special Assistance.

Projected utilization is based on reasonable and adequately supported assumptions.

Access

In supplemental information received by the Agency on February 29, 2016, the applicants state that the payor mix will consist of 75% private pay and 25% State/County Special Assistance.

On March 23, 2016, the applicants stated that the payor mix was derived based on the experience of Meridian Senior Living, the management company, in the area. Meridian Senior Living manages Onslow House, an existing ACH located in Jacksonville.

In Section V.4, page 20, the applicants state that most referrals will come from local hospitals, the Onslow County Department of Social Services, churches and community organizations. In Section VI.3(a), page 22, 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. Also in Section VI.3(a), the applicants state that all persons admitted to the facility receive services at the facility, and will have the same payment policies regardless of race, color, creed, age, national origin, handicap, sex, or source of payment. In Section VI.3(b-c), page 23, 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 the facility will 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 acquire, replace and relocate 40 licensed, but not currently operational ACH beds from Holly Ridge Assisted Living in Holly Ridge to Onslow Assisted Living in Swansboro, both located in Onslow County.

In Appendix D, the applicants provide a letter from Hunter Trefzger, certificate of need coordinator for Onslow Propco Holdings, LLC (one of the applicants) which states that Holly Ridge Assisted Living has been closed since January 2015. This indicates that there are no current Holly Ridge residents who will require placement. In Section III.6(c), page 14, the applicants state:

“The replacement facility will provide services above and beyond that which the current facility can. ... Furthermore, [T]he facility’s one story design promotes cost-effective construction and design ... The new facility ... will utilize the latest technologies to assure maximum energy efficiency.”

The 40 beds to be acquired from Holly Ridge Assisted Living and replaced and relocated to Onslow Assisted Living are currently unoccupied. Since the 40 beds are not currently serving residents, there will be no residents that will be impacted by the relocation of the 40 ACH beds. Additionally, the 2015 SMFP shows a surplus of 12 ACH beds in Onslow County; however no new ACH beds are proposed in this project. 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 Section III.3, pages 12-13, the applicants describe four alternatives considered, including:

1. Reopen and operate the current facility: the current facility would not allow for the provision of quality care to its residents;
2. Renovate the current facility: the current facility would not result in a cost-effective renovation;
3. Build a replacement facility at the current location: the current location would require significant demolition work that would delay opening the facility, and the land that the current facility occupies will not allow for the additional square footage now required to meet licensure standards for adult care homes; and
4. Build a replacement facility at a new location: The applicants state that this alternative is the best choice, because the replacement facility will be, *“a new, efficient building that gives the best care to residents, while being built in a location that still services the population as it did before. Furthermore, [T]he facility’s one-story design promotes cost-effective construction and design consistent with Policy Gen-4. The new facility will be constructed in accordance with Policy Gen-4 and will utilize the latest technologies to assure maximum energy efficiency.”*

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. Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC and Agemark Acquisition, LLC shall materially comply with all representations made in the certificate of need application and supplemental information received February 29, 2016. In those instances where representations conflict, Onslow Propco Holdings, LLC and Onslow Opco Holdings, LLC shall materially comply with the last made representation.**
- 2. Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC and Agemark Acquisition, LLC shall relocate no more than 40 adult care home beds from Holly Ridge Assisted Living to the proposed Onslow Assisted Living for a facility total of no more than 40 adult care home beds upon project completion.**
- 3. Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC and Agemark Acquisition, 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, Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC and Agemark Acquisition, 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.**

5. Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC and Agemark Acquisition, 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

Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC and Agemark Acquisition, LLC propose to acquire, relocate and replace 40 ACH beds from Holly Ridge Assisted Living in Holly Ridge to Onslow Assisted Living in Swansboro. Both facilities are located in Onslow County. At the completion of this project, Onslow Assisted Living will have a total of 40 ACH beds.

Capital and Working Capital Costs

In Section VIII, pages 31-33, the applicants project the total capital cost of developing Onslow Assisted Living will be \$4,597,800, which includes:

Onslow Assisted Living Total Capital Costs	
Site (including land purchase)	\$1,050,800
Construction Contract	2,387,500
Equipment & Furniture	400,000
Financing Costs (commercial loan + interest)	319,500
Consultant Fees	240,000
Contingency	200,000
Total Capital Costs	\$4,597,800

In Exhibit Q, pages 182-183, the applicants provide a worksheet for the total working capital (start-up and initial operating expenses) loan for the development of Onslow Assisted Living. On page 180, total working capital is stated as \$379,511, however, on page 181, the amount of the loan to cover the total working capital for the project is stated as \$244,011; leaving a shortfall of \$135,500 stated for total start-up expenses. Clarifying information in the form of a letter from the proposed lending entity, received from the applicants on February 10, 2016, states the total working capital for the project as \$379,511.

Availability of Funds

In Section VIII.3, page 33, the applicants state that the capital cost for the development of Onslow Assisted Living will be financed via a commercial loan. Exhibit N contains a letter from the Principal of Stirling Realty Advisors, LLC stating the entity is willing to provide a commercial loan to the applicants in the amount of \$4,597,800. Exhibit O contains an amortization schedule for the proposed loan.

In Exhibit P, pages 180-181, the applicants state that the total working capital costs for the development of Onslow Assisted Living will be \$379,511. Initial operating expenses of \$244,011 will be financed via a commercial loan. Exhibit P contains a letter from the Principal of Stirling Realty Advisors, LLC stating the entity will provide a commercial loan to the applicants in the amount of \$244,011. Exhibit Q contains an amortization schedule for the proposed loan. In supplemental information received on February 10, 2016, the applicants provide a corrected letter from the proposed lending entity that the entire amount needed for working capital will be funded via a loan.

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

Financial Feasibility

In Section IX.3, page 36, the applicants project per diem rates for the first two operating years. The applicants state that the per diem rate for private pay residents will be \$130.69 and the per diem rate for residents receiving State/County Special Assistance with Medicaid will be \$76.41 (whether in a private or semi-private room).

In several places in the application, the applicants state conflicting information regarding the number of private and semi-private beds proposed for the ACH. However, in clarifying information received on February 10, 2016, the applicants state that Onslow Assisted Living will have 30 private beds and 10 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 Onslow Assisted Living, but revenues will exceed operating expenses in both the second and third Project Years following completion of Onslow Assisted Living, as shown below in the table.

ONSLow ASSISTED LIVING			
Revenues / Operating Expenses – Project Years 1-3			
	Project Year 1	Project Year 2	Project Year 3
Total Revenues	\$969,402	\$1,441,234	\$1,441,234
Total Operating Expenses	\$1,199,797	\$1,420,537	\$1,420,772
Net Profit	(\$230,395)	\$20,697	\$20,462

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

Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC and Agemark Acquisition, LLC propose to acquire, replace and relocate 40 ACH beds from Holly Ridge Assisted Living located at 325 Sound Road in Holly Ridge to Onslow Assisted Living. The proposed replacement facility will be located at Hammock Beach Road in Swansboro, and will have a total of 40 ACH beds upon project completion.

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 Onslow 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 Onslow County, per page 235 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); and instances when that data was not provided, the calculation was completed by the Project Analyst.

INVENTORY AND UTILIZATION OF ACH BEDS – ONSLOW COUNTY			
Facility Name	# of Beds	Days of Care	Utilization
Holly Ridge Assisted Living*	-	-	-
Liberty Commons Assisted Living	79	18,980	65.8%
Lighthouse Village	80	13,870	50.0%
Onslow House	160	33,460	58.8%
Pinewood Harbor**	40	8,030	55.0%
Premier Nursing & Rehabilitation Center***	7	730	28.6%
The Arc Community	32	10,718	90.0%
The Heritage of Richlands**	40	13,140	90.0%
Total Inventory and Days of Care /Average Utilization	438	98,928	62.8%
*Although the license was renewed for 2016, Holly Ridge Assisted Living served no clients in FY 2015, as the facility is reported by the applicants to have closed January 22, 2015; therefore the facility is excluded from these calculations. **The 2015 LRAs for Pinewood Harbor and The Heritage of Richlands did not provide the number of days of care. To calculate days of care, the Project Analyst divided the number of residents by the number of available beds and used the ratio to estimate the number of days of care: Pinewood Harbor (22 residents / 40 beds = 0.55 or 55% occupancy rate; 40 beds x 365 days/year = 14,600 potential days of care; 14,600 potential days of care x 55% utilization = 8,030 days of care). The Heritage of Richlands (36 residents / 40 beds = 0.9 or 90% occupancy rate; 40 beds x 365 days/year = 14,600 potential days of care; 14,600 potential days of care x 90% utilization = 13,140 days of care). ***This facility is a nursing home that also has ACH beds.			

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

Forty ACH beds are being relocated to Onslow Assisted Living from Holly Ridge Assisted living, both in Onslow County. In Exhibit D, the applicants provide a letter from the certificate of need coordinator at Onslow Propco Holdings, LLC stating that Holly Ridge Assisted Living closed in January 2015. According to Table 11B in the 2015 SMFP, Onslow County is

projected to have a surplus of 12 ACH beds in 2018. Relocating 40 beds within Onslow County will have no impact on the Onslow County inventory. 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 Onslow 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, Table VII.3, page 29, the applicants state that by FFY 2019 (the second full fiscal year) the ACH facility will be staffed by 23.0 full-time equivalent (FTE) positions; of which 13.0 FTE positions will be personal care staff. 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.

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In Section II.1, pages 7-8, 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 expressing an interest in providing dietary services, a letter from Stanley Lab expressing an interest in providing pharmacy services, as well as a letter signed by Dawn McKenzie-Clarke, RN, offering to provide RN Consultant services to Onslow Assisted Living. Exhibit M contains a blank application for residency which lists the services the applicants propose to provide at Onslow Assisted Living. Exhibit I and supplemental information received on February 29, contain copies of letters from other healthcare professionals acknowledging and supporting the proposed project. 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.

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In Section X, page 39, the applicants state that the replacement facility is estimated to be 19,100 square feet. Construction is projected for completion in August 2017 and beds licensed in October 2017. The beds are being relocated from Holly Ridge Assisted Living which the applicant states closed in January 2015. Upon completion of the new construction there will be 30 private adult care home beds and 10 semi-private beds. The breakdown of beds was clarified in supplemental information provided by the applicants on February 10, 2016. Total construction costs are projected to be \$2,387,500 of total project costs of \$4,597,800.

Exhibit W contains a letter from an architect stating that construction costs for the 40-bed ACH is estimated to be \$125.00 per square foot which corresponds with line 9 in Table VIII.I, page 32 of the application. Also in the architect's letter in Exhibit W is a description of the energy and water saving features to be included in the proposed project.

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 costs 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 do not currently operate any ACH beds therefore, a comparison of the existing medically underserved population in the service area to the applicants' existing services cannot be made.

(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 do not currently operate any ACH beds therefore, the applicants have no past performance to meet 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 applicants.

(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, page 22, the applicants project payor mix for the second FFY of operation (FFY 2019). The following table contains a payor mix based on clarifying information received from the applicants on February 10, 2016.

ONSLow ASSISTED LIVING Projected Payor Mix – FFY 2019		
Payor Source	# ACH Beds	% Payor Mix
Private Pay	30	75%
State/County Special Assistance	10	25%
Total	40	100%

As shown in the table above, the applicants project 25 percent of residents will have services paid for by State/County Special Assistance with Medicaid and 75 percent of residents will be private pay residents. In Sections VI.3(a)-(b), pages 22-23, the applicants state that all persons admitted to the facility will receive services at the facility, and all services will be available to residents regardless of race, color, creed, age, national origin, handicap, sex, or source of payment. The applicants provide the admissions policy in Exhibit M.

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, page 20, the applicants state that referrals will come from local hospitals, the Onslow County Department of Senior Services, churches and community organizations. On pages 19-20, the applicants list healthcare providers and physicians with whom they are seeking transfer agreements and relationships, respectively. 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 19, the applicants state that they have taken steps to create agreements with Coastal Carolina Community College and Lenoir Community College. Exhibit K contains a letter from the Health Training Program Coordinator at Coastal Carolina Community College stating that Onslow Assisted Living would be helpful to support student training needs.

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

Onslow Propco Holdings, LLC, Onslow Opco Holdings, LLC and Agemark Acquisition, LLC, propose to acquire, replace and relocate 40 ACH beds from Holly Ridge Assisted Living located at 325 Sound Road in Holly Ridge to Onslow Assisted Living. The proposed new facility to be located at Hammock Beach Road in Swansboro will have a total of 40 ACH beds upon project completion.

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 Onslow 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 Onslow County, per page 235 of the 2015 SMFP. The utilization figures are calculated from information submitted on days of care on each facility's 2015 License Renewal Application (LRA); and instances when that data was not provided, the calculation was completed by the Project Analyst.

INVENTORY AND UTILIZATION OF ACH BEDS – ONSLOW COUNTY			
Facility Name	# of Beds	Days of Care	Utilization
Holly Ridge Assisted Living*	-	-	-
Liberty Commons Assisted Living	79	18,980	65.8%
Lighthouse Village	80	13,870	50.0%
Onslow House	160	33,460	58.8%
Pinewood Harbor**	40	8,030	55.0%
Premier Nursing & Rehabilitation Center***	7	730	28.6%
The Arc Community	32	10,718	90.0%
The Heritage of Richlands**	40	13,140	90.0%
Total Inventory and Days of Care /Average Utilization	438	98,928	62.8%
<p>*Although the license was renewed for 2016, Holly Ridge Assisted Living served no clients in FY 2015, as the facility is reported by the applicants to have closed January 22, 2015; therefore the facility is excluded from these calculations. **The 2015 LRAs for Pinewood Harbor and The Heritage of Richlands did not provide the number of days of care. To calculate days of care, the Project Analyst divided the number of residents by the number of available beds and used the ratio to estimate the number of days of care: Pinewood Harbor (22 residents / 40 beds = 0.55 or 55% occupancy rate; 40 beds x 365 days/year = 14,600 potential days of care; 14,600 potential days of care x 55% utilization = 8,030 days of care). The Heritage of Richlands (36 residents / 40 beds = 0.9 or 90% occupancy rate; 40 beds x 365 days/year = 14,600 potential days of care; 14,600 potential days of care x 90% utilization = 13,140 days of care). ***This facility is a nursing home that also has ACH beds.</p>			

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

In Sections II, III, V, VI and VII, 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 the project will have 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) is 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 February 29, 2016, the applicants state that Meridian Senior Living is the management company for Onslow Assisted Living. According to a list that the applicants provided on March 23, 2016, Meridian currently owns, leases, or manages 67 adult care homes in North Carolina. According to the files in the Adult Care Licensure Section, Division of Health Service Regulation (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 currently managed by Meridian Senior Living in North Carolina. After reviewing and considering information provided by the by the Adult Care Licensure Section, and considering the quality of care provided at all 67 facilities, there is 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.