

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: August 11, 2016

Findings Date: August 11, 2016

Project Analyst: Tanya S. Rupp

Team Leader: Lisa Pittman

Project ID #: M-11169-16

Facility: Crossings at Fayetteville

FID #: 160155

County: Cumberland

Applicant(s): Cumberland AL Investors, LLC and Cumberland Operations, LLC

Project: Relocate 100 adult care home beds from Countryside Villa (80) and Hope Rest Home (20) to a new location in Cumberland County and change the name to Crossings at Fayetteville

### 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, Cumberland AL Investors, LLC and Cumberland Operations, LLC, propose to relocate 100 existing adult care home (ACH) beds from Countryside Villa (80) in Wade, and Hope Rest Home (20) in Eastover, to a new location in Cumberland County and change the name to Crossings at Fayetteville. The applicants propose to develop 40 of the beds as a special care unit (SCU) to serve patients with Alzheimer's Disease or other forms of Dementia.

The 2016 State Medical Facilities Plan (SMFP) in Chapter 11, Table 11A lists Countryside Villa with 80 ACH beds and Hope Rest Home with 20 ACH beds in the inventory of Cumberland County ACH beds.

## **Need Determination**

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2016 SMFP. Therefore, there are no need determinations applicable 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 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.”*

All 100 existing beds are located in Cumberland County, and the proposed new facility will be located in Cumberland County; therefore the number of licensed adult care home beds in Cumberland County will not change as a result of this project. The application is consistent with Policy LTC-2.

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

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

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or*

*exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN 4.*

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

In Section X.9, page 55, the applicants state the facility will be constructed with the newest materials and construction standards that will create energy efficiencies, including low-e glass windows and modern insulation. In Exhibit 21, the applicants provide a letter dated April 16, 2016 from an architectural firm which outlines the energy conservation standards that will be incorporated into the facility design in order to comply with Policy GEN-4. Therefore, the applicants adequately demonstrate that the proposal includes a plan to assure improved energy efficiency and water conservation. See Condition (5) in Criterion (4) regarding the applicants' need 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 Code.

### **Conclusion**

In summary, the applicants adequately demonstrate that the proposal is consistent with Policy LTC-2 and Policy GEN-4. 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 relocate 100 existing ACH beds from two existing facilities as follows: 80 beds from Countryside Villa and 20 beds from Hope Rest Home, to develop a new 100-bed ACH in Fayetteville, with 40 SCU beds and 60 ACH beds. All 100 existing beds are listed in the 2016 State Medical Facilities Plan, even though the facilities are currently closed.

### **Population to be Served**

On page 223, the 2016 SMFP defines the service area for ACH 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 Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Cumberland County. Facilities may also serve residents of counties not included in their service area.

In Section III.7, page 31, the applicants provide the projected patient origin as shown in the table below.

County	% of Total ACH Residents
Cumberland	90%
Hoke	4%
Harnett	2%
Robeson	1%
Sampson	1%
Johnston	1%
Bladen	1%
<b>Total</b>	<b>100%</b>

In Section III.7(a), page 31, the applicants state that neither facility has served any residents since the facilities closed. On page 31, the applicants state that they have no access to patient origin records from the facilities. However, because of the location of Countryside Villa, the applicants state it is probable that a *“large portion of ... residents originated in Harnett and Sampson counties.”*

In Section III.7(c), page 32, the applicants project that most of the residents will come from Cumberland County. A small portion of residents will come from Hoke and Harnett counties, since they are between 15 – 20 minutes from the proposed location of the facility.

The applicants adequately identified the population to be served.

### **Analysis of Need**

In Section III.1, pages 20 - 22, the applicants describe the need to relocate 80 existing ACH beds from Countryside Villa and 20 existing ACH beds from Hope Rest Home to develop a new 100-bed adult care home in Fayetteville, to be called Crossings at Fayetteville. The information provided by applicants is summarized below:

- The existing ACH beds are being combined from two different, separately licensed facilities, Countryside Villa and Hope Rest Home.
- The existing buildings are no longer used due to their age and deteriorating condition.
- Countryside Villa is located on a 14.9 acre lot, which is a good size to accommodate a modern facility; however, the lot is located on the border of Cumberland and Sampson counties, which the applicants state is too remote for a large portion of the Cumberland County population.

- Hope Rest Home is located on a much smaller lot in Eastover. The location would better serve more Cumberland County residents than the lot where Countryside Villa is located; however, the Hope Rest Home lot is too small to accommodate the proposed building.
- The applicants propose to develop 40 of the 100 beds as SCU beds, serving patients who are diagnosed with Alzheimer's or other forms of dementia.
- Rule violations in both closed facilities, as well as their history of serving a majority of patients with mental illness have combined to give the names of the facilities a negative reputation in the community.
- Developing a new facility to meet new licensure and institutional standards, as well as a new management company and a new location will attract residents in the service area who are in need of ACH services.
- Replacing the non-operational ACH beds will provide increased access for both private pay and low income residents since Crossings at Fayetteville will accept Medicaid reimbursement.
- The applicants provide statistics that project an increase in the number of people with Alzheimer's Disease or other forms of Dementia from 2015 through 2020.
- Specifically, utilizing data from the *North Carolina Alzheimer's Association*, the applicant obtained percentages of people in North Carolina with Dementia (including Alzheimer's) according to age, and combined that with the population of the entire state to obtain a "prevalence rate" by age of persons with Dementia in the state. Applying that rate to the Cumberland County population, the applicant calculated a prevalence rate by age of persons with Dementia in Cumberland County. The applicant then utilized national statistics that project the need for treatment for those cases of Dementia classified as "moderate or severe" which require a higher level of care; namely, the SCU beds.
- Utilizing the national projections of moderate to severe cases of Dementia and combining that with the North Carolina and Cumberland County statistics, on page 27, the applicant projects that by 2020, there will be 2,366 people age 50 and above in Cumberland County who will have a moderate to severe form of Dementia and who will need treatment in a facility.
- The applicants do not propose additional beds in Cumberland County; they propose to relocate existing ACH beds within the county to treat the projected number of people who will need assistance because of Dementia.

As part of the project, the applicants propose to develop 40 SCU beds. In Section III.1, page 21, the applicants state there are two facilities in Cumberland County that are exclusively SCU beds, which accept a combination of private pay and Medicaid, whose utilization was 89% in

2015. The applicants state utilization of other ACH facilities in Cumberland County that serve private pay patients was 100% in 2015. The applicants state that these utilization rates indicate a need for additional ACH and SCU beds that will serve both private pay and Medicaid patients. The applicants adequately demonstrate the need to relocate and replace the 100 ACH beds (80 from Countryside Villa and 20 from Hope Rest Home) to a new 100 bed facility, with 40 SCU beds and 60 ACH beds.

Projected Utilization

In Section IV.1, page 33, the applicants state they are unable to provide specific monthly information because *“the former licensee and operator of the facility have not provided applicants with monthly patient days for the last 12 months of operations.”* The applicants provide historical utilization based on information obtained from the facility’s license renewal applications (LRAs).

In Section IV.2, page 34, the applicants provide projected utilization for the 40 SCU beds and the 60 ACH beds during the first two operating years (OYs). The following table illustrates projected utilization during the second OY.

**Projected Utilization  
 Second Operating Year**

	1 <sup>st</sup> Quarter 10/1 to 12/31	2 <sup>nd</sup> Quarter 1/1/ to 3/31	3 <sup>rd</sup> Quarter 4/1 to 6/30	4 <sup>th</sup> Quarter 7/1 to 9/30	Total
<b>ACH Beds Alone</b>					
Patient Days	4,928	4,928	4,928	4,928	19,710
Occupancy Rate	90.0%	90.0%	90.0%	90.0%	90.0%
# of Beds	60	60	60	60	60
<b>SCU Beds</b>					
Patient Days	3,285	3,285	3,285	3,258	13,140
Occupancy Rate	90.0%	90.0%	90.0%	90.0%	90.0%
# of Beds	40	40	40	40	40
<b>Total Facility</b>					
Patient Days	8,213	8,213	8,213	8,213	32,850
Occupancy Rate	90.0%	90.0%	90.0%	90.0%	90.0%
# of Beds	100	100	100	100	100

As shown in the table above, in the 2<sup>nd</sup> Operating Year, the applicants project the 100 ACH beds will operate at 90% of capacity [ $32,850 / 365 / 100 = 0.90$ , or 90%].

In Section IV, page 34, the applicants state the management company, Harmony Senior Services, which has experience with facilities like the one proposed in this application, projects a conservative 10% opening occupancy. In Section III.2, pages 22 – 28, the applicants provide the assumptions and methodology utilized to project utilization of the 40 SCU beds and 60 ACH beds. Projected utilization is based on reasonable and adequately supported assumptions.

Access

In Section VI, page 38, the applicants state *“...all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment.*

*Also, all routine and specialized services will be available to persons regardless of their race, color, creed, age, national origin, handicap, sex, or source of payment.” Furthermore, on page 39, the applicants state “Private-pay patients in the special care unit who spend down and become eligible for Medicaid will not be discharged from the facility if there is a bed available in a room designed for dual occupancy in the special care unit.”*

In Section VI.5, page 40, the applicants state they are “...proposing a new facility that will allow for the highest quality of care available. Underserved groups, such as those relying on Medicaid, who qualify for special care unit services, will be served by the new facility in special care unit rooms designed to accommodate dual occupancy without regard to payor source.”

The 80 beds from Countryside Villa and the 20 beds from Hope Rest Home are not presently utilized and thus are not providing access to anyone. In Section VI.3, page 39, the applicants state the facility will not require payment from Medicaid recipients prior to admission, and that all payment policies will apply without regard to a patient’s age, racial background, ethnic background, gender, handicap, sex, or medical diagnosis. The applicants state that private pay residents who spend down and become Medicaid-eligible will not be discharged from the facility if there is a bed available. In addition, the applicants state that families will be given information and assistance if needed with regard to Medicaid application upon admission to the facility. The applicants adequately demonstrate the extent to which all residents, including underserved groups, will have access to the proposed services.

### **Conclusion**

In summary, the applicants identified the population to be served, adequately demonstrated the need that this population has for the proposed project and adequately demonstrated 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.

NA

Although this application proposes a relocation of existing ACH beds to a new location in Cumberland County, the 100 beds that are proposed to be relocated are not currently utilized. In Section II.1, page 10, the applicants state:

*“As of the date of this application, all residents at the current facilities have been discharged and placed at other facilities. The current facilities are not in a state conducive to housing residents. In fact, the former operator of at least one of the facilities was unable to operate the facility without incurring significant penalties from the Adult Care Licensure Section. The current physical plants do not meet contemporary*

*construction standards, and do not lend themselves to the best care of adult care residents.”*

- (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.

C

In Section III, pages 28 - 29, the applicants describe the following alternatives:

- Renovate the existing Countryside Villa facility, or construct a new facility on the Countryside Villa site – the applicants state this was not a viable alternative, because the site location is too remote in the county to effectively serve the population in need of services.
- Renovate the existing Hope Rest Home facility, or construct a new facility on the Hope Rest Home site – the applicants state this was not a viable alternative because the site on which the current Hope Rest Home facility is located is too small to accommodate the type of modern facility proposed in this application.

The applicants concluded that the proposed project provides the most effective alternative to meet the identified need for 60 ACH beds and 40 SCU beds in Cumberland County, which has a growing elderly population and increasing numbers of patients with moderate to severe Alzheimer’s disease (see pages 27 – 29). The applicants are not developing new ACH beds; rather, they propose to relocate existing ACH beds within Cumberland County.

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 identified need. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

- 1. Cumberland AL Investors, LLC and Cumberland Operations, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Upon completion of this project Crossings at Fayetteville shall be licensed for no more than 100 ACH beds.**
- 3. For the first two years of operation following completion of the project, Crossings at Fayetteville shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section X of the application, without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**



4. **Crossings at Fayetteville shall provide care to recipients of State/County Special Assistance with Medicaid for the facility, commensurate with representations made in Section VI. 2.**
  5. **Cumberland AL Investors, LLC and Cumberland Operations, LLC shall 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 applicants' representations in the written statement as described in paragraph one of Policy GEN-4.**
  6. **Upon approval of this project, Countryside Villa and Hope Rest Home shall take the necessary steps to de-license their existing ACH beds.**
  7. **Cumberland AL Investors, LLC and Cumberland Operations, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicants propose to relocate 100 existing but unutilized ACH beds from two facilities to develop Crossings at Fayetteville.

**Capital and Working Capital Costs**

In Section VIII.1, page 46 of the application, the applicants project the total capital cost to construct the 100-bed replacement facility will be:

Site costs	\$ 2,416,000
Construction costs	\$ 6,308,013
Equipment	\$ 640,000
Consultant Fees	\$ 1,328,577
Financing	\$ <u>380,100</u>
Total:	\$11,072,690

In Exhibit 23, the applicants project start up and operating costs for the proposed facility of \$770,765. In Exhibit 21 the applicants provide a letter dated April 15, 2016 from an architect that confirms the construction costs identified in Section VIII.

### **Availability of Funds**

In Section VIII.2, page 47, the applicants state that the capital costs will be financed by a commercial loan in the amount of \$8,304,518 and owner's equity of \$2,768,173.

In Exhibit 12, the applicants provide a letter dated April 13, 2016 from Carter Bank & Trust which states that the bank will consider 75% financing for the capital costs of the proposed project in the amount of \$8,304,517.72. The letter includes the proposed terms of the commercial loan.

In Exhibit 14, the applicants provide a letter dated April 15, 2016 from Meeks & Young, Certified Public Accountants that confirms one of the owners of Cumberland AL Investors, LLC (James R. Smith) has sufficient liquid assets to cover his proposed equity contribution of \$2,768,173.

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

### **Financial Feasibility**

In Table IX.2B, page 51, the applicants project that the per diem reimbursement rate/charge will be \$143.64 for a private pay patient in a private room and \$130.00 in a semi-private room. The applicants further project that the per diem reimbursement rate/charge will be \$166.67 for a private pay patient in an SCU bed and \$106.02 for State/County Special Assistance for a semi-private SCU bed room.

In the projected revenue and expense statement (Form B), the applicants project revenues will exceed operating expenses in the second Operating Year, as shown in the table below.

	<b>FIRST OPERATING YEAR</b>	<b>SECOND OPERATING YEAR</b>
Total Revenues	\$2,590,882	\$4,410,012
Total Operating Expenses	\$3,046,647	\$3,544,309
Net Profit	(\$455,765)	\$865,703

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 needs of the project. Furthermore, the applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. Therefore, the application is conforming to this criterion.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicants, Cumberland AL Investors, LLC and Cumberland Operations, LLC, propose to relocate 100 adult care home (ACH) beds from Countryside Villa (80) in Wade, and Hope Rest Home (20) in Eastover, to a new location in Cumberland County and change the name to Crossings at Fayetteville. The applicants propose to develop 40 of the beds as a special care unit (SCU) to serve patients with Alzheimer’s disease or other forms of Dementia.

On page 223, the 2016 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 Tyrell, are considered a combined service area”*. Thus, the service area for this project consists of Cumberland County. Facilities may also serve residents of counties not included in their service area.

Table 11A on pages 229 and 230 of the 2016 SMFP documents that there are currently a total of 16 existing facilities in Cumberland County that offer ACH services. The table below is a summary of those 16 facilities in Cumberland County, recreated from the 2016 SMFP, Chapter 11, Table 11A and Table 11B, page 251. There is a projected deficit of two ACH beds in 2019 for Cumberland County.

<b>2016 ACH INVENTORY AND 2019 NEED PROJECTIONS FOR CUMBERLAND COUNTY</b>	
# ACH Facilities	16
# Beds in ACH Facilities	817
# Beds in Nursing Facilities	95
Total Licensed Beds	912
# CON Approved Beds (License Pending)	0
Total # Available	912
Total # in Planning Inventory	912
Projected Bed Utilization Summary	914
Projected Bed Surplus (Deficit)	(2)

The applicants do not propose to develop new ACH beds, but rather to relocate 100 ACH beds, currently operated in two closed facilities, to a new facility with 60 ACH beds and 40 SCU beds. There will be no increase in the inventory of ACH beds or the number of facilities in Cumberland County. In fact, the inventory of ACH facilities will actually be reduced by one; upon the relocation of the beds through this project, two facilities will remain closed and one facility will take the place of those two. The discussions regarding analysis of need, including projected utilization, access, 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 Cumberland 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

In Section II.2, page 16, the applicants state they propose to provide staff “*in the unit at all times in sufficient number to meet the needs of the residents.*” In Section VII.2, page 43, the applicants state that by the second Operating Year (calendar year 2019) the ACH facility will be staffed by 53.6 full-time equivalent (FTE) staff positions, including 28.1 FTE positions for the ACH beds and 25.5 FTE positions for the SCU beds. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements in Section 12.

In Section II.2, page 18, the applicants state that Harmony Senior Services will manage the facility. The applicants state Harmony Senior Services operates 13 adult care home facilities in Virginia and three in South Carolina. The company will also operate a facility that was projected to be operational in May 2016 in Buncombe County, North Carolina. 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, pages 10 - 19, 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, medical transportation, dentistry, physician, therapy, recreation, personal care, housekeeping and laundry services. The facility is not yet developed and the facilities from which beds will be relocated are closed; therefore there are no agreements with ancillary and support services currently in place. However, in Exhibit 9, the applicants provide a copy of a letter written to Cape Fear Valley Medical Center requesting a transfer agreement when Crossings at Fayetteville is developed. Exhibit 10 contains copies of letters to area physicians inviting them to work with the facility once it begins providing services to patients. In Section II.2, page 18, the applicants state Harmony Senior Services operates 13 adult care home facilities in Virginia and three in South Carolina. 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.

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

NA

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicants propose to develop 100 ACH beds in a new facility to be located at 3976 Sycamore Dairy Road in Fayetteville, Cumberland County. The total square footage of the facility will be 56,400. Exhibit 21 contains a letter from an architect that estimates that site and construction costs will approximate \$102.00 per square foot which corresponds to the projected capital costs in Section VIII, page 46. The letter in Exhibit 21 also describes the proposed project's plan to assure improved energy efficiency and water conservation. 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 project 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 two facilities from which beds will be relocated are closed and thus there is no information to report with regard to the medically underserved populations that currently use the applicant's existing services.

- (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

- (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 IV.5, page 40, the applicants state that the new facility will provide the highest quality of care without discriminating against persons due to their age, racial background, ethnic background, gender, handicap, sex, or medical diagnosis.

In Section VI.3, page 39, the applicants state:

*“the facility will not require a financial payment prior to or upon admission for Medicaid recipients.*

...

*Private-pay residents in the special care unit who spend down and become eligible for Medicaid will not be discharged from the facility if there is a bed available in a room designed for dual occupancy in the special care unit. ... The facility will assist any family who needs to apply for Medicaid with their application.”*

In Section VI.2, page 38, the applicants provide a table that shows they project 60% of the SCU patients will be Medicaid patients, and 24% of the total facility patients will receive Medicaid. The applicants demonstrate that medically underserved populations would 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 VI.3, page 38, the applicants state admission to the facility will be on the written order of a physician. In Exhibit 11 the applicants provide a copy of the Admissions Policy.

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

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

C

Exhibit 8 contains a copy of a letter dated March 21, 2016 and addressed to Fayetteville Technical Community College offering the facility as a training site for the college's nursing program.

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

The applicants, Cumberland AL Investors, LLC and Cumberland Operations, LLC, propose to relocate 100 adult care home (ACH) beds from Countryside Villa (80) in Wade, and Hope Rest Home (20) in Eastover, to a new location in Cumberland County and change the name to Crossings at Fayetteville. The applicants propose to develop 40 of the beds as a special care unit (SCU) to serve patients with Alzheimer's disease or other forms of Dementia.

On page 223, the 2016 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 Tyrell, are considered a combined service area”*. Thus, the service area for this project consists of Cumberland County. Facilities may also serve residents of counties not included in their service area.

Table 11A on pages 229 and 230 of the 2016 SMFP documents that there are currently a total of 16 existing facilities in Cumberland County that offer ACH services. The table below is a summary of those 16 facilities in Cumberland County, recreated from the 2016 SMFP, Chapter 11, Table 11A and Table 11B, page 251. There is a projected deficit of two ACH beds in 2019 for Cumberland County.

<b>2016 ACH INVENTORY AND 2019 NEED PROJECTIONS FOR CUMBERLAND COUNTY</b>	
# ACH Facilities	16
# Beds in ACH Facilities	817
# Beds in Nursing Facilities	95
Total Licensed Beds	912
# CON Approved Beds (License Pending)	0
Total # Available	912
Total # in Planning Inventory	912
Projected Bed Utilization Summary	914
Projected Bed Surplus (Deficit)	(2)

The applicants do not propose to develop new ACH beds, but rather to relocate 100 ACH beds, currently operated in two closed facilities, to a new 100 bed facility with 60 ACH beds and 40 SCU beds. There will be no increase in the inventory of ACH beds or the number of facilities in Cumberland County. In fact, the inventory of ACH facilities will actually be reduced by one; upon the relocation of the beds through this project, two facilities will remain closed and one facility will take the place of those two.

In Section VI.5, page 40, the applicant discusses how the project will promote the cost-effectiveness, quality and access to the proposed services.

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

The information in the application is reasonable and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicants adequately demonstrate the need for the proposed project and that it is a cost-effective alternative. The discussions regarding analysis of need, including projected utilization, and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.



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

Therefore, the application is conforming to this criterion.

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

C

In Section II.2, page 18, the applicants state that Harmony Senior Services, the proposed management company for the new facility, does not currently operate any facilities in North Carolina, though one facility was scheduled to open in Buncombe County in May 2016.

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 applicant does not propose to establish new adult care home beds.