

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 4, 2016

Findings Date: November 4, 2016

Project Analyst: Mike McKillip

Team Leader: Fatimah Wilson

Project ID #: Q-11204-16

Facility: SpringShire Retirement Community

FID #: 160291

County: Pitt

Applicant: SpringShire Retirement, LLC

Project: Develop a new continuing care retirement community with 162 independent living units, 8 adult care home beds, and 12 nursing care beds

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.

CA

The applicant, SpringShire Retirement, LLC [**SpringShire**] proposes to develop a new continuing care retirement community (CCRC) with 162 independent living units, 8 adult care home (ACH) beds and 12 nursing care beds in Greenville (Pitt County). There are no need determinations in the 2016 State Medical Facilities Plan (SMFP) applicable to this review.

Policies

There are three policies in the 2016 SMFP which are applicable to this review: Policy NH-2: Plan Exemption for Continuing Care Retirement Communities, Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities - Adult Care Home Beds, and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy NH-2 states:

“Qualified continuing care retirement communities may include from the outset or add or convert bed capacity for nursing care without regard to the nursing care bed need shown in Chapter 10: Nursing Care Facilities. To qualify for such exemption, applications for certificates of need shall show that the proposed nursing care bed capacity:

- 1. Will only be developed concurrently with or subsequent to construction on the same site of facilities for both of the following levels of care:
 - a. independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages and rooms;*
 - b. licensed adult care home beds for use by people who, because of age or disability, require some personal services, incidental medical services, and room and board to assure their safety and comfort.**
- 2. Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing unit of the continuing care retirement community for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.*
- 3. Reflects the number of nursing care beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care after making use of all feasible alternatives to institutional nursing care.*
- 4. Will not be certified for participation in the Medicaid program.”*

In Section III.3, page 20, the applicant states that the 12 proposed nursing care beds at SpringShire will be developed in conformance with all of the requirements of Policy NH-2. The applicant adequately demonstrates conformance with the requirements of Policy NH-2.

Policy LTC-1 states:

“Qualified continuing care retirement communities may include from the outset, or add or convert bed capacity for adult care without regard to the adult care home bed need shown in Chapter 11: Adult Care Homes. To qualify for such exemption, applications for certificates of need shall show that the proposed adult care home bed capacity:

- (1) Will only be developed concurrently with, or subsequent to construction on the same site, of independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages, and rooms;*
- (2) Will provide for the provision of nursing services, medical services, or other health related services as required for licensure by the N.C. Department of Insurance.*
- (3) Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing unit or adult care unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.*
- (4) Reflects the number of adult care home beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care, after making use of all feasible alternatives to institutional adult care home care.*
- (5) Will not be certified for participation in the Medicaid program or serve State-County Special Assistance recipients.”*

In Section III.3, pages 20-21, the applicant states that the 8 proposed ACH beds at SpringShire will be developed in conformance with all of the requirements of Policy LTC-1. The applicant adequately demonstrates conformance with the requirements of Policy LTC-1.

Policy GEN-4 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 of 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 for this project is greater than \$5 million. In Section XI.14, page 76, the applicant describes the methods that will be used by the facility to maintain efficient operations and contain the cost of utilities. However, the applicant did not include in its certificate of need application a written statement describing the project's plan to assure improved water conservation. Therefore, the application is consistent with Policy GEN-4 subject to Condition #8 in Criterion (4) of these findings.

Conclusion

In summary, the applicant adequately demonstrates that the application is consistent, as conditioned, with Policies NH-2, LTC-1 and 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 applicant, SpringShire, proposes to develop a new CCRC with 162 independent living units, 8 ACH beds and 12 nursing care beds in Greenville. In Section I.11, page 5, the applicant states that SpringShire Retirement is a limited liability company whose sole member is SpringShire Retirement Community, Inc. The applicant proposes to develop the new 20-bed Health Center in 21,370 square feet of space on the site of the CCRC to be located at 3404 NC 43 North in Greenville.

Patient Origin

On pages 199 and 223, the 2016 SMFP defines the service area for nursing care beds and adult care home beds as the county in which the bed is located. Thus, the service area consists of Pitt County. Facilities may serve residents of counties not included in their service area.

In Section III.9, page 24, the applicant states that 100 percent of its patients are projected to originate from Pitt County. The applicant states, “*As a CCRC all of our patient population will originate from our independent living resident population.*” The applicant adequately identified the population proposed to be served.

Analysis of Need

In Section III.1(a) and (b) of the application, the applicant describes the factors which it state supports the need for the proposed project. On pages 17-18, the applicant states,

“The proposed makeup of the project will be 162 independent living units, 8 ACH beds and 12 SNF beds. The ACH and SN bed compliments [sic] are designed to meet the initial internal demand generated from community residents (162 independent units) for a period of not less than 36 months following opening. Actuarial assumptions, industry norms and the experience of the management firm were included in the bed compliment [sic] determination. These beds will be considered “Closed Beds” for the purposes of Policy NH-1 [sic].

There is currently only one CCRC east of Raleigh and North of Wilmington. The 26 counties which make up the North Carolina East Alliance have an estimated 2016 population of 1,400,000. By comparison, Wake County has a current population of just under 1,000,000 (North Carolina Office of Budget and Management) and has 5 CCRCs currently in operation (North Carolina Department of Insurance).

Greenville is near the geographic center of the Eastern North Carolina region and is considered a hub for commerce and healthcare for the region. To illustrate the degree to which Greenville is the healthcare hub of Eastern North Carolina, Vidant Medical Center in Greenville and its seven affiliated hospitals across the region, ranks third in the US for facility to facility transfers according to data cited in a study by Better Doctor. This means that though patients may be treated initially at facilities across Eastern North Carolina, they frequently are transferred to Vidant in Greenville for more specialized or advanced care.

Cypress Glen, which is also located in Greenville is currently the only CCRC in the region. It has 199 independent living units, 42 ACH beds and 30 SNF beds. Cypress Glen is consistently at or just short of capacity.”

The applicant states that it commissioned a market analysis and “*Business Confirmation Plan*” from a senior-living industry consulting firm and developer, Greenbrier, to review the market and project feasibility. On page 18, the applicant states the Greenbrier analysis concluded the following:

- *The Primary Market Area (‘PMA’) spans approximately 10 miles to the north, nearly 15 miles to the east, 5 miles to the south, and 7 miles to the west. The PMA includes the following 5 ZIP Codes: 27858, 27834 (Greenville), 27889 (Washington), 28590 (Winterville), 27828 (Farmville)*

- *The Secondary Market Area ('SMA') is defined as the following 6 zip codes: 28562, 28560 (New Bern), 28504, 28501 (Kinston), 28577 Morehead City and 27910 (Ahoskie). The PMA and SMA were defined using prior depositors information as well as consideration of the Vidant Medical Center regional draw*
- *The percentage of households in the PMA/SMA aged 75+ with incomes greater than \$50,000 was 24.57%. This is higher than the corresponding figures for the state of North Carolina and for the United States as a whole*
- *Demographics indicate approximately 1,800 age-income qualified seniors in the PMA and 3,400 age-income qualified households in the SMA*
- *The independent living market penetration analysis measures the percentage of age and income-qualified households (and age and home-value qualified households) within the PMA that must be captured in order to fill the proposed project*
 - *PMA independent living penetration is 8%*
 - *PMA/SMA independent living penetration is 3%*

Thus, the SpringShire CCRC has a severely underserved market from which to draw for its independent living residents."

Projected Utilization

In Section IV.2, pages 28-30, the applicant provides projected utilization for the proposed nursing care and adult care home beds in the first partial federal fiscal year and first two full federal fiscal years of operation following completion of the project (FFY2019-FFY2021), which is summarized below.

**SpringShire Nursing Care and Adult Care Home Beds
 Projected Utilization, FFY2019 – FFY2021**

	First Partial* FFY2019	First Full FFY2020	Second Full FFY2021
Nursing Care Beds			
Patient Days	2,413	4,093	4,087
Occupancy Rate	66.2%	93.0%	93.0%
# of Beds	12	12	12
Adult Care Home Beds			
Patient Days	1,481	2,722	2,715
Occupancy Rate	61.0%	93.0%	93.0%
# of Beds	8	8	8
Total Beds			
Patient Days	3,894	6,820	6,802
Occupancy Rate	64.0%	93.0%	93.0%
# of Beds	20	20	20

*Applicant assumes the proposed beds will be operational on December 1, 2018.

In Section IV.2, page 27, the applicant states the “*projected fill-up is projected in line with actuarial assumptions, industry norms and manager experience.*” As shown in the table above, the applicant projects the occupancy rate in the proposed nursing care beds will be 93 percent in the second year of operation, which exceeds the utilization rate required in 10A NCAC 14C .1102(b). Also, the applicant projects the occupancy rate in the proposed adult care home beds will be 93 percent in the second year of operation, which exceeds the utilization rate required in 10A NCAC 14C .1102(d).

As discussed above, the applicant projects utilization rates for the proposed nursing care and adult care home beds based on the projected needs of residents of the CCRC’s 162 independent living units, and those projections reflect actuarial and management experience for the industry. Projected utilization of the nursing care and adult care home beds at the proposed SpringShire CCRC is based on reasonable and adequately supported assumptions. Therefore, the applicant adequately demonstrated the need to develop 8 nursing care beds and 12 ACH beds as part of the proposed CCRC.

Access

In accordance with the requirements of Policy NH-2 and Policy LTC-1, the applicant states the proposed new nursing care beds and ACH beds will be used exclusively to meet the needs of people with whom the facility has continuing care contracts and will not be certified for participation in the Medicaid program or serve State-County Special Assistance recipients.

Conclusion

In summary, the applicant adequately identified the population to be served by the proposed project, and demonstrated the need the population has for the services proposed. 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

- (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 18-19, the applicant describes the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintain the Status Quo – The applicant states that maintaining the status quo is not an effective alternative because of the greater need due to demographic changes and the lack of options available to the proposed service area population.
- Develop a Rental CCRC Rather than an Endowment CCRC – The applicant states that developing a “*rental CCRC*” is not an effective alternative because the “*absence of endowment deposits as a source of partial financing reduces the attractiveness of the project to prospective investors.*”
- Develop a Multi-Unit Assisted Housing with Services Facility – The applicant states that developing a multi-unit assisted housing with services facility is not an effective alternative for same reasons the “*rental CCRC*” model was rejected.

After considering those alternatives, the applicant states the alternative represented in the application is the most effective alternative to meet the identified need.

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

In summary, the applicant adequately demonstrates that the 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. SpringShire Retirement, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. SpringShire Retirement, LLC shall not construct or operate more than 8 nursing facility beds and 12 adult care home beds.**

- 3. The nursing facility beds shall not be certified for participation in the Medicaid program.**
 - 4. The nursing facility beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
 - 5. The adult care home beds shall not participate in the Medicaid program or serve State-County Special Assistance recipients.**
 - 6. The adult care home beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing or adult care unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
 - 7. The 8 new nursing facility beds and 12 new adult care home beds shall be developed on the same site with the independent living units.**
 - 8. SpringShire Retirement, LLC shall provide a written statement describing the project's plan to assure improved water conservation.**
 - 9. SpringShire Retirement, 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.**
 - 10. SpringShire Retirement, LLC shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditures in Section VIII of the application and that would otherwise require a certificate of need.**
 - 11. SpringShire Retirement, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of

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

C

The applicant, SpringShire, proposes to develop a new CCRC with 162 independent living units, 8 ACH beds and 12 nursing care beds in Greenville.

Capital and Working Capital Costs

In Section VIII.1, page 52, the applicant states the total capital cost for the proposed 20-bed nursing and ACH facility is projected to be as follows:

SpringShire Nursing and ACH Facility Project Capital Cost

Site Costs	\$217,265
Construction Costs	\$4,427,864
Miscellaneous Project Costs	\$1,759,636
TOTAL CAPITAL COST	\$6,404,765

Source: Table on page 52 of the application.

In Sections IX.1 and IX.2, page 56, the applicant states there will be \$4,055,000 in start-up expenses and \$5 million in initial operating expenses associated with the entire CCRC project, including the proposed 20-bed nursing and ACH facility, for a total working capital requirement of \$9,055,000.

Availability of Funds

In Section VIII.2, page 53, the applicant states that the \$6,404,765 in project capital costs for the proposed nursing and ACH facility will be funded by a bond issue. In Section IX.5, page 58, the applicant states that the working capital costs for the entire CCRC project, including the proposed nursing and ACH facility, will also be funded by a bond issue. In Exhibit 11, the applicant provides a letter dated June 9, 2016, from the Managing Principal for Herbert J. Sims & Co., Inc., documenting its intention to serve as the senior managing underwriter for a bond issue for SpringShire Retirement, LLC not exceed \$125 million to fund the capital costs and working capital costs for the entire CCRC project, including the proposed nursing and ACH facility. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

In the pro forma financial statements for SpringShire's proposed 20-bed nursing and ACH facility (Form B), the applicant projects that operating expenses will exceed revenues through the first three full federal fiscal years of operation of the project, as shown in the table below.

Projected SpringShire Nursing and ACH Facility Revenue and Expenses

	First Partial* FFY2019	First Full FFY2020	Second Full FFY2021	Third Full FFY2022
Total Net Revenue	\$952,044	\$1,712,562	\$1,805,139	\$1,813,973
Total Operating Expenses	\$1,865,100	\$2,323,398	\$2,257,578	\$2,202,798
Net Income (Loss)	(\$913,056)	(\$610,831)	(\$452,439)	(\$388,825)

*Applicant assumes the proposed beds will be operational on December 1, 2018.

In the pro forma financial statements (Form B), the applicant also projects that operating expenses will exceed revenues through the first three full federal fiscal years of operation of the entire CCRC project, as shown in the table below.

Projected SpringShire Revenue and Expenses for Entire CCRC

	First Partial* FFY2019	First Full FFY2020	Second Full FFY2021	Third Full FFY2022
Total Net Revenue	\$3,804,444	\$8,926,550	\$10,853,730	\$11,154,765
Total Operating Expenses	\$9,398,950	\$13,193,849	\$12,949,317	\$12,350,077
Net Income (Loss)	(\$5,594,506)	(\$4,267,299)	(\$2,095,587)	(\$1,195,312)

*Applicant assumes the proposed beds will be operational on December 1, 2018.

In response to a request for additional information regarding the financial statements, the applicant states,

“It is important to point out that the losses shown on Form B include depreciation of approximately \$1.9 MM annually. Thus, we have demonstrated that the facility reaches EBITDA [Earnings before interest, taxes, depreciation and amortization] breakeven early in year three and the trend for GAAP [Generally accepted accounting principles] financial statement breakeven further down the road has been clearly established. The status of our permit with the NC Department of Insurance, the issuance of almost \$15 MM in Revenue Anticipation Bonds and its full subscription by investors is testament to third party confidence in the financial model presented. ... As you will see from the trend, the cash flow of the community steadily improves during the initial operating period and turns positive in the 3rd quarter of the 1st Full Federal Fiscal Year. The positive cash-flow trend continues on a going-forward basis.”

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. The discussion regarding utilization projections found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

In summary, the applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project. Furthermore, the applicant 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 applicant proposes to develop a new CCRC with 162 independent living units, 8 ACH beds and 12 nursing care beds in Greenville.

On pages 199 and 223, the 2016 SMFP defines the service area for nursing care beds and adult care home beds as the county in which the bed is located. Thus, the service area consists of Pitt County. Facilities may serve residents of counties not included in their service area.

There are six nursing facilities in Pitt County, with a total licensed and CON-approved inventory of 570 beds. The inventory of nursing care beds in the Proposed 2017 SMFP is shown in the following table:

Nursing Facility	Licensed Beds in Nursing Homes	Licensed Beds in Hospitals	Total Licensed Beds	CON Approved/ Transferred	CCRC Beds Excluded From Planning Inventory	Total Beds in Planning Inventory
Ayden Court Nursing & Rehab Center	82	0	82	0	0	82
Cypress Glen Retirement Community	30	0	30	0	30	0
East Carolina Rehab and Wellness	130	0	130	0	0	130
GoldenLiving Center-Greenville	152	0	152	0	0	152
PruittHealth-Farmville	56	0	56	0	0	56
Universal Health Care/Greenville	120	0	120	0	0	120
Total	570	0	570	0	30	540

Source: Table 10A, Proposed 2017 State Medical Facilities Plan.

There are eleven ACH facilities in Pitt County, with a total licensed and CON-approved inventory of 609 beds. The inventory of ACH beds in the Proposed 2017 SMFP is shown in the following table:

ACH Facility	Licensed Beds in Nursing Homes	Licensed Beds in ACH Facilities	Total Licensed Beds	CON Approved/ Transferred	CCRC Beds Excluded From Planning Inventory	Total Beds in Planning Inventory
Brookdale Dickinson Avenue	0	76	76	0	0	76
Brookdale W. Arlington Boulevard	0	60	60	0	0	60
Cypress Glenn Retirement Community	30	0	30	0	0	30
Cypress Glen Memory Care Cottage	0	12	12	0	6	6
Dixon House	0	80	80	0	0	80
East Carolina Rehab and Wellness	20	0	20	0	0	20
Oak Haven Assisted Living	0	54	54	0	0	54
Red Oak Assisted Living	0	62	62	0	0	62
Southern Living Assisted Care	0	120	120	0	0	120
Spring Arbor of Greenville	0	66	66	0	0	66
Winterville Manor	0	29	29	0	0	29
Total	50	559	609	0	6	603

Source: Table 11A, Proposed 2017 State Medical Facilities Plan.

According to the Proposed 2017 SMFP, there will be a surplus of both nursing care and ACH beds in Pitt County in 2020. In Section III, pages 23-24, the applicant states,

“SpringShire is not projected to have any impact on existing facilities with ACH beds in Pitt County as it operates a CCRC model, the existing facilities are all largely operating at capacity, and demographic trends suggest a growing demand for traditional ACH services. ... As a CCRC all of our patient population will originate from our independent living resident population.”

In Sections III.4 and III.5, pages 21-22, the applicant states the 12 adult care home beds and 8 nursing care beds will be available exclusively to persons with a continuing care contract with SpringShire, pursuant to Policy NH-2 and Policy LTC-1. The applicant adequately demonstrated the need the population to be served has for 12 adult home care beds and 8 nursing care beds, and adequately demonstrated that the projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

The applicant adequately demonstrated that the proposal would not result in an unnecessary duplication of existing or approved nursing care or ACH beds in Pitt 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.

In Table VII.3, pages 47-48, the applicant provides the proposed staffing for the proposed nursing and ACH facility in the second full fiscal year of operation (FFY2020), as shown in the table below.

Position	Number of Staff (FTE)
Director of Nursing	1.0
Registered Nurses	4.2
Licensed Practical Nurses	0.8
Certified Nursing Assistants	8.4
Social Services Director	1.0
Activity Director	1.0
Activity Assistant	0.4
Receptionist	1.0
TOTAL	17.8

Source: Table VII.3 page 83.

In Section VII.6, page 50, the applicant describes its experience and process for recruiting and retaining staff. Exhibit 3 contains a copy of a letter from Vidant Health expressing an interest in providing the “*Medical Director coverage*” for the proposed facility. 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 Sections II.4, pages 13-14, the applicant describes the manner in which it will provide the necessary ancillary and support services. Exhibit 3 of the application contains a copy of a letter from Vidant Health expressing support for the proposed project and its intention to enter into a transfer agreement with SpringShire, and to provide support services. The applicant adequately demonstrates that necessary ancillary and support services are available and that the proposed services will be coordinated with the existing healthcare 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.

CA

The applicant proposes to develop a new CCRC with 162 independent living units, 8 ACH beds and 12 nursing care beds in Greenville. SpringShire proposes to develop the new 20-bed Health Center in 21,370 square feet of space on the site of the CCRC. Exhibit 21 contains a certified cost estimate from an architect that estimates construction costs that are consistent with the project capital cost projections provided by the applicant in Section VIII.1, page 52 of the application. In Section XI.14, page 76, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. However, the applicant did not include in its certificate of need application a written statement describing the project's plan to assure improved water conservation. Therefore, the application is conforming to this criterion subject to Condition #8 in Criterion (4) of these findings.

- (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

- (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

Policy NH-2: Plan Exemption for Continuing Care Retirement Communities and Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds require the applicant to use the nursing care and ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days. The Policies also prohibit the applicant from participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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

Policy NH-2: Plan Exemption for Continuing Care Retirement Communities and Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds require the applicant to use the nursing care and ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days.

- (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 copies of letters from several health professional training programs in the area, including East Carolina University, expressing support for the proposed project and an interest in an agreement with SpringShire to use the proposed facility as a training site. The information provided is reasonable and credible and supports a finding of conformity 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

Policy NH-2: Plan Exemption for Continuing Care Retirement Communities and Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds require the applicant to use the nursing care and ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days.

- (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.

NA

In Section I.12, page 7, the applicant states that it does not currently own, lease, or manage any nursing and adult care home facilities in North Carolina.

- (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.

C

The application is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below:

10A NCAC 14C .1102 PERFORMANCE STANDARDS

.1102(a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

-NA- The applicant does not propose to add nursing care beds to an existing nursing facility.

.1102(b) *An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

-C- In Section IV.2, page 29, the applicant projects occupancy of the proposed nursing care beds will be 93% in the second year of operation. In Section III.1, pages 17-18, and Section IV.2, page 27, the applicant provides the methodology and assumptions used to project occupancy.

.1102(c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

-NA- The applicant does not proposes to add adult care home beds to an existing facility.

.1102(d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

- C- In Section IV.2, page 29, the applicant projects occupancy of the proposed adult care home beds will be 93% in the second year of operation. In Section III.1, pages 17-18, and Section IV.2, page 27, the applicant provides the methodology and assumptions used to project occupancy.