

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: February 15, 2017

Findings Date: February 15, 2017

Project Analyst: Gregory F. Yakaboski

Team Leader: Fatimah Wilson

Project ID #: F-11267-16

Facility: Morrow Valley Farmstead

FID #: 160497

County: Stanly

Applicant: GHA Autism Supports

Project: Construct a new 10-bed ICF/IID facility by transferring 10 ICF/IID beds from Caswell Developmental Center, J. Iverson Developmental Center and Murdoch Developmental Center pursuant to SL 1983 Chapter 858 HB 1395

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §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.

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The applicant, GHA Autism Supports (GHA), proposes to develop a new Intermediate Care Facility for Individuals with Intellectual Disabilities [formerly Intermediate Care Facilities for the Mentally Retarded (ICF/MR)] (ICF/IID) by transferring 10 ICF/IID beds and the individuals who currently occupy those beds from Caswell Developmental Center, J. Iverson Developmental Center and Murdoch Developmental Center pursuant to SL 1983 Chapter 858 HB 1395.

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 State Medical Facilities Plan (SMFP).

Policies

The following three policies are applicable to this review:

- POLICY MH-1: LINKAGES BETWEEN TREATMENT SETTINGS.
- POLICY ICF/IID-2: TRANSFER OF ICF/IID BEDS FROM STATE OPERATED DEVELOPMENTAL CENTERS TO COMMUNITY FACILITIES FOR INDIVIDUALS WHO CURRENTLY OCCUPY THE BEDS
- POLICY GEN-4: NEED ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES

POLICY MH-1: LINKAGES BETWEEN TREATMENT SETTINGS states:

“An applicant for a certificate of need for psychiatric, substance abuse or intermediate care facilities for individuals with intellectual disabilities (ICF/IID) beds shall document that the affected local management entity-managed care organization has been contacted and invited to comment on the proposed services.”

Cardinal Innovations Healthcare Solutions is the affected local management entity-managed care organization (LME-MCO). The transfer agreement in Exhibit 30 and supplemental information demonstrates that Cardinal Innovations Healthcare Solutions was contacted and invited to comment on the proposed services and application. The application is consistent with Policy MH-1.

POLICY ICF/IID-2 TRANSFER OF ICF/IID BEDS FROM STATE OPERATED DEVELOPMENTAL CENTERS TO COMMUNITY FACILITIES FOR INDIVIDUALS WHO CURRENTLY OCCUPY THE BEDS states:

“Existing certified Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) beds in state operated developmental centers may be transferred through the certificate of need process to establish ICF/IID group homes in the community to serve people with complex behavioral challenges and/or medical conditions for whom a community ICF/IID placement is appropriate, as determined by the individual’s treatment team and with the individual/guardian being in favor of the placement. This policy requires the transfer of the individuals who currently occupy the ICF/IID beds in the developmental center to the community facility when the beds are transferred. The beds in the state operated developmental center shall be closed upon certification of the transferred ICF/IID beds in the community facility. Providers proposing to develop

transferred ICF/IID beds, as those beds are described in this policy, shall submit an application to the Certificate of Need Section that demonstrates their clinical experience in treating individuals with complex behavioral challenges or medical conditions in a residential ICF/IID setting. To ensure the transferred beds will be used to serve these individuals, a written agreement between the following parties shall be obtained prior to development of the group home: director of the local management entity-managed care organization serving the county where the group home is to be located, the director of the applicable developmental center, the director of the North Carolina Division of State Operated Healthcare Facilities, the secretary of the North Carolina Department of Health and Human Services and the operator of the group home.”

In Section III.1, pages 32-33, and supplemental information, the applicant states that the individuals who currently occupy the ICF/IID beds proposed to be relocated from state operated developmental centers will be transferred with the bed and that the proposed Morrow Valley Farmstead qualifies as a community facility. In this application GHA Autism Supports demonstrates its clinical experience in treating individuals with complex behavioral challenges or medical conditions in a residential ICF/IID setting. Exhibit 30 contains a copy of a written agreement between the director of the local management entity-managed care organization serving the county where the group home is to be located, the director of the applicable developmental centers, the director of the North Carolina Division of State Operated Healthcare Facilities, the Secretary of the North Carolina Department of Health and Human Services and the operator of the proposed facility, ensuring that any beds transferred pursuant to Policy ICF/IID 2 will be used to serve individuals with complex behavioral challenges or medical conditions in a residential setting. The application is consistent with Policy ICF/IID-2.

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

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

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN 4.

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

The capital cost for the proposed project is greater than \$2.0 million but less than \$5.0 million. In Section X, page 74, and supplemental information, the applicant provides 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 applicant adequately demonstrates that the proposal is consistent with Policy MH-1, Policy ICF/IID-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.

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The applicant proposes to develop a new ICF/IID facility with 10 beds by transferring 10 ICF/IID beds, and the individuals who currently occupy those beds, from three state operated ICF/IID facilities: Caswell Developmental Center, J. Iverson Developmental Center and Murdoch Developmental Center.

Patient Origin

On page 395, the 2016 SMFP defines the service area for ICF/IID beds as the catchment area for the LME-MCO for mental health, developmental disabilities, and substance abuse services in which the bed is located. Currently, Cardinal Innovations Healthcare Solutions comprises the two previous Cardinal Innovation LME-MCOs and MeckLink of Mecklenburg County. Stanly County is one of the counties in the catchment area for Cardinal Innovations. (See page 399 of the 2016 SMFP.) Facilities may also serve residents of counties not included in their service area.

In Section III, pages 35-36, the applicant states that it specifically does not provide a projection of patients by county of origin. The applicant states:

“Due to the specialized nature of the Project, GHA Autism Supports does not believe that county of residence is a major deciding factor in admissions, nor an important statistic. Since the portal for admission is through transfers from the state operated facilities that house ICF/IID persons from potentially every county in North Carolina, any chart showing percentages by county would be a grossly rounded estimate that would likely be very different from the actual transfers that take place when the facility opens.”

Patient origin will be the State of North Carolina. The applicant is proposing to relocate 10 ICF/IID beds from state operated facilities that have licensed ICF/IID beds. The 10 ICF/IID beds to be relocated from the state operated facilities are all currently occupied and those patients will also be transferred to the proposed Morrow Valley Farmstead in compliance with Policy ICF/IID-2.

The applicant adequately identified the population to be served.

Analysis of Need

In Section III.1, pages 32-34, and supplemental information, the applicant describes the need to develop the proposed Morrow Valley Farmstead facility, summarized as follows:

- The Centers for Disease Control and Prevention estimates that one out of every 68 children born today has some form of Autism Spectrum Disorder (ASD).
- There is suggested evidence that the prevalence rate of ASD is even higher in North Carolina with one child out of every 58 children born today in North Carolina having some form of ASD.
- The majority of available information, services, research and funding focuses on children.
- However, there has been very little focus on the various challenges faced by individuals aging with ASD. The first generation of children diagnosed with ASD were born in the 1940's and 1950's and are now becoming older adults.
- There are only a few service providers in the world addressing the unique needs of those with ASD and other developmental disabilities as they age. The current long term care models such as nursing homes do not adequately address the unique needs of this target population.
- The proposed Morrow Valley Farmstead facility is a state of the art initiative "*which will create specialized long-term care for aging individuals with ASD. These services may also serve as a model to revolutionize long-term care support to other aging individuals, their families and health care systems.*"
- Policy ICF/IID-2 in the 2016 SMFP supports the transfer of ICF/IID beds from state operated developmental centers to community facilities together with transferring those individuals who currently occupy each particular bed.
- On page 34 the applicant states, "*The proposed project will not add ICF/IID beds to the total inventory of ICF/IID beds in the state of North Carolina. The proposal will establish new ICF/IID beds in a community-based home and close ICF/IID beds in one or more state operated developmental facilities. This is consistent with the 2012 settlement with the Department of Justice, the purpose of which is to make sure that*

persons with developmental disabilities are able to live in communities in the least restrictive settings of their choice.”

- The proposed project will permit an individual to move to a community-based facility from a large state operated facility. [See pages 33-34 of the application and supplemental information]
- Once the ICF/IID beds are certified upon relocation to the Morrow Valley Farmstead facility, the licensed bed in the state developmental center from which the ICR/IID bed was transferred will be de-certified. Thus, the inventory of ICF/IID beds is not changing as a result of the proposed project. [See page 34 of the application]
- The project is supported by the LME-MCO, Cardinal Innovations Healthcare Solutions, the Secretary of the North Carolina DHHS, the director of the North Carolina Division of State Operated Healthcare Facilities and the state developmental centers. [See pages 32-34 of the application and see also Exhibit 30 and supplemental information]

The applicant adequately demonstrates the need to relocate 10 ICF/IID beds and the individuals who currently occupy each of those beds from state developmental centers to the proposed Morrow Valley Farmstead facility.

Projected Utilization

In Section IV, page 39, the applicant provides projected utilization as shown in the following tables.

**Morrow Valley Farmstead- Projected Utilization
 First Operating Year (April 1, 2019-March 30, 2020)**

	1ST QUARTER 4/19-6/19	2ND QUARTER 7/19-9/19	3RD QUARTER 10/19-12/19	4TH QUARTER 1/20-3/20	TOTAL
Patient Days	842	911	911	901	3,565
# Beds	10	10	10	10	10
Occupancy	92.5%	99.0%	99.0%	99.0%	97.4%

**Morrow Valley Farmstead- Projected Utilization
 Second Operating Year (April 2020-March 2021)**

	1ST QUARTER 4/20-6/20	2ND QUARTER 7/20-9/20	3RD QUARTER 10/20-12/20	4TH QUARTER 1/21-3/21	TOTAL
Patient Days	901	911	911	891	3,614
# Beds	10	10	10	10	10
Occupancy	99.0%	99.0%	99.0%	99.0%	99.0%

As shown above, for each quarter of the second year following completion of the proposed project, Morrow Valley Farmstead projects the 10 ICF/IID beds will operate at 99.0% of capacity [$3,614/365/10 = 0.99013$ or 99.0%].

In Section IV, pages 38-40, and supplemental information, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- Projects a four month startup period (December 2018-March 2019) prior to the first operating quarter.
- Estimates 8 of the 10 beds will be filled during the startup period.
- Projects the ninth resident to be admitted the middle of the first month of Operating Year 1 (April 2020).
- Projects the tenth resident to be admitted the middle of the second month of Operating Year 1 (May 2020).
- Applies an overall 1% vacancy factor (each quarter) for unpaid days away from the facility, including hospital days.
- On page 40 the applicant states “*Community based ICF/IID homes generally do not have a long waiting period to fill an empty bed due to demand for those beds and there being so few available.*”

As stated on page 34 and in supplemental information, in compliance with Policy ICF/IID-2, the resident occupying the ICF/IID bed will be transferred to Morrow Valley Farmstead with each of the ICF/IID beds to be transferred from the state developmental centers.

Projected utilization is based on reasonable and adequately supported assumptions.

Access

In Sections VI.10, page 51, the applicant states the projected payor mix for the second operating year following completion of the proposed project for Morrow Valley Farmstead is 100% Medicaid. In Section VI.6, page 47, the applicant states, “*GHA Autism Supports does not discriminate based on race, religion, color, creed, sex, age, national origin, sexual orientation, or disability.*” See also Section VI.2, pages 46-47 regarding the applicant’s existing and proposed services to low-income persons, racial and ethnic minorities, women, handicapped persons, elderly and other underserved persons. In supplemental information the applicant states that GHA Autism Supports current internal wait list has over 300 names of potential ASD ICF Level Care recipients. The applicant states that “*All of the residents will be transferred from three of the State Centers. The Medicaid funding for these individuals will transfer to Morrow Valley Farmstead to pay for their cost of care.*” (See supplemental information.)

Conclusion

In summary, the applicant adequately 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

- (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 II.11, pages 29-30, the applicant describes the alternatives considered, which included maintaining the status quo or transferring 10 ICF/IID beds, and the individuals who currently occupy those beds, from state operated ICF/IID facilities to the proposed Morrow Valley Farmstead facility.

Maintaining the Status Quo- The applicant states that in maintaining the status quo the individual would have to remain in the state institution which is more costly than the proposed Morrow Valley Farmstead facility and provides a less integrated environment. This is not the least costly or most effective alternative.

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

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.

In summary, the applicant adequately demonstrates 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. GHA Autism Supports shall materially comply with all representations made in the certificate of need application and in supplemental information provided. In those instances where representations conflict, GHA Autism Supports, shall materially comply with the last made representation.**
- 2. Upon project completion, GHA Autism Supports, shall be certified for no more than ten (10) ICF/IID beds at Morrow Valley Farmstead.**

3. **GHA Autism Supports shall serve no more than ten (10) adults at Morrow Valley Farmstead who have severe to profound developmental disabilities.**
 4. **The actual Medicaid per diem reimbursement rate shall be determined by the Division of Medical Assistance in accordance with 10A NCAC 22G .0301.**
 5. **GHA Autism Supports 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 proposes to develop a new ICF/IID facility with 10 beds by transferring 10 ICF/IID beds, and the individuals who currently occupy those beds, from state operated ICF/IID facilities. There are four (4) state operated facilities that have licensed ICF/IID beds.

Capital and Working Capital Costs

In Section VIII.1, page 62, the applicant projects the total capital cost of the project to construct Morrow Valley Farmstead will be:

Site costs-	\$ 796,000
Construction costs-	\$1,200,000
Fixed Equipment-	\$ 25,000
Movable Equipment-	\$ 40,000
Furniture-	\$ 30,000
Landscaping-	\$ 210,000
Consultant Fees-	\$ 210,000
Financing-	\$ 22,000
Interest During Construction-	\$ 63,000
Other (Contingencies)-	<u>\$ 41,000</u>
Total:	\$2,637,000

In Section IX, pages 67-68, the applicant projects total working capital (start-up and initial operating expenses) costs will be \$568,000 (start-up expenses: \$560,000 and initial operating expenses: \$8,000).

Availability of Funds

In Section VIII.2, page 63, the applicant states that the capital costs will be financed as follows:

Government or HUD Loans-	\$2,197,000
Private Foundations-	\$ 400,000
Other (Vehicle Loan)-	\$ 40,000
Total:	\$2,637,000

In Section IX, page 68, that applicant states that the working capital costs will be financed by a line of credit.

Exhibit 5 contains a copy of a letter dated June 9, 2015 from the Executive Director of The Cannon Foundation, Inc. to GHA Autism Supports confirming the approval by the Board of Directors of a grant in the amount of \$400,000 for a “*Long Term Care Facility*”. Exhibit 22 contains a copy of a letter dated October 13, 2016 from a Vice President of Key Bank National Association documenting that Key Bank National Association will provide a mortgage which incorporates the FHA program in the amount of \$2,373,300 for the proposed project. The letter in Exhibit 22 dated October 13, 2016 from a Vice President of Key Bank National Association also documents that they will provide \$600,000 for working capital for the proposed project. Exhibit 21 contains a copy of GHA Autism Supports audited financial statements for June 30, 2016 which shows unrestricted cash of \$324,731 and total net assets of \$1,564,144. (See pages 578-579 of Exhibit 21).

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

Financial Feasibility

The applicant is projecting a payor source of 100% Medicaid.

In the projected revenue and expense statement (Form B), the applicant projects revenues will exceed operating expenses in both of the first two Project Years following completion of the proposed project, as shown in the table below.

	Operating Year 1	Operating Year 2
Total Days	3,565	3,614
Gross Routine Service Revenues	\$1,818,150	\$1,843,140
Average Net Revenue per day	\$510	\$510
Total Operating Expenses	\$1,765,539	\$1,765,094
Average Net Expense per day	\$495	\$488
Net Profit	\$52,611	\$78,046

Note- There is a clerical error in form B in that the net profit for Operating Year 2 is listed as \$87,046. The correct net profit is \$78,046.

The assumptions used by the applicant in preparation of the pro formas are reasonable including projected utilization, costs and charges. See Section X, pages 71-75, and the proformas for the assumptions regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant

adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

In summary, the applicant adequately demonstrates the financial feasibility of the project is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges) and operating costs. 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.

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The applicant proposes to develop a new ICF/IID facility with 10 beds by transferring 10 ICF/IID beds, and the individuals who currently occupy those beds, from state operated ICF/IID facilities. There are four (4) state operated facilities that have licensed ICF/IID beds.

On page 395, the 2016 SMFP defines the service area for ICF/IID beds as the catchment area for the LME-MCO for mental health, developmental disabilities, and substance abuse services in which the bed is located. Currently, Cardinal Innovations Healthcare Solutions comprises the two previous Cardinal Innovation LME-MCOs and MeckLink of Mecklenburg County. Stanly County is one of the counties in the catchment area for Cardinal Innovations. (See page 399 of the 2016 SMFP.) Facilities may also serve residents of counties not included in their service area.

Page 394 of the 2016 SMFP states that there are 2,320 licensed ICF/IID beds in state facilities. There are 602 licensed ICF/IID beds in the Cardinal Innovations LME-MCO (See 2016 SMFP page 399). Policy ICF/IID-2 of the 2016 SMFP provides a methodology for the transfer of ICF/IID beds from state operated developmental centers to community facilities for individuals who currently occupy the beds. The applicant, GHA Autism Supports, proposes to develop a new ICF/IID facility (Morrow Valley Farmstead) with 10 beds by transferring 10 ICF/IID beds, and the individuals who currently occupy those beds, from state operated ICF/IID facilities. There will be no increase in the inventory of ICF/IID beds in North Carolina.

The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference. The applicant adequately demonstrates that the proposed project would not result in the unnecessary duplication of existing or approved ICF/IID services in the service area. 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 applicant proposes to provide personal care staff twenty-four hours per day, seven days per week. In Section VII, pages 56, the applicant provides the proposed staffing for the second operating year, as shown in the table below.

Position	Number of Full-Time Equivalent (FTE) Positions	
	Current	Operating Year 2
Routine Services QMRP	0.0	1.0
RNs	0.0	4.0
Direct Care Staff- Nurse Aides	0.0	11.7
Dietary Staff (Staffed from Nurse Aides)	0.0	1.3
Housekeeping Staff	0.0	1.5
Maintenance/Repair Staff	0.0	0.5
Administrator	0.0	1.0
Other-IT Staff	0.0	1.0
Total	0.0	22.0

On page 56, the applicant states that by Operating Year 2 Morrow Valley Farmstead will be staffed by 22 full-time equivalent (FTE) positions. In Section VII, pages 59, the applicant describes its experience and process for recruiting and retaining staff. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in the pro forma financial statements. 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

The applicant, GHA Autism Supports, currently operates six (6) IFC/IID group homes, all of which are located in Stanly County. GHA is proposing to develop a new ICF/IID facility with 10 beds, in Stanly County, by transferring 10 ICF/IID beds, and the individuals who currently occupy those beds, from state operated ICF/IID facilities.

In Section II.2, pages 23-28, and in supplemental information the applicant describes the ancillary and support services that will be provided by the facility or made available through agreements with other providers including programing, dietary, pharmacy, psychology, direct care, physical therapy, occupational therapy and developmental day program. The applicant states that the current providers of ancillary and support services will also provide services to the proposed Morrow Valley Farmstead facility. Exhibit 13 contains copies of certain health service contracts. Exhibit 3 contains copies of managed care organization (MCO) contracts with Alliance Behavioral Health, Cardinal Innovations, Eastpointe, Partners Behavioral Health, Sandhills Center, Smoky Mountain Center, East Carolina Behavioral Health and Coastal Care. Exhibit 15 contains copies of letters of support for GHA's grant application

regarding the proposed Morrow Valley Farmstead facility. Exhibit 30 and supplemental information contain a copy of the written agreement between the director of the local management entity-managed care organization serving the county where the community group home is to be located, the director of the applicable developmental center, the director of the North Carolina Division of State Operated Healthcare Facilities, the Secretary of the North Carolina Department of Health and Human Services and the operator of the proposed Morrow Valley Farmstead facility ensuring that any beds transferred pursuant to Policy ICF/IID-2 will be used to serve individuals with complex behavioral challenges or medical conditions in a residential setting. The applicant adequately demonstrates that the necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

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

NA

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

C

The applicant proposes to develop a new ICF/IID facility by transferring existing ICF/IID beds, and the individuals who currently occupy those beds, from state operated ICF/IID facilities. The total square footage of the proposed facility is 9,213 with 10 ICF/IID beds in 10 single rooms. In Exhibit 23 and supplemental information an architect that estimates that construction costs will be \$286.23 per square foot or \$2,637,000 ($\$286.23 \times 9,213 \text{ square feet} = \$2,637,000$), which corresponds to the projected capital costs in Section VIII, line 21, page 62.

In Section X, page 74, and supplemental information, the applicant provides a written statement describing 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 applicant adequately demonstrates 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

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

In Section VI.6, pages 48-49, the applicant discusses its admission process. See Exhibits 16 and 17 for a copy of the admissions policy and the individual rights policies respectively. In Section VI.8, page 50, the applicant states that there have been no civil rights equal access complaints or Division of Health Service Regulation patient rights complaints filed against GHS Autism Supports in the past five years. The applicant further states on page 50 that, "*No sanctions have been imposed against GHS Autism Supports.*" Therefore, the application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Sections VI.10, page 51, the applicant states the projected payor mix for the second operating year following completion of the proposed project for Morrow Valley Farmstead is 100% Medicaid. In Section VI.6, page 47, the applicant states, “*GHA Autism Supports does not discriminate based on race, religion, color, creed, sex, age, national origin, sexual orientation, or disability.*” See also Section VI.2, pages 46-47 regarding the applicant’s existing and proposed services to low-income persons, racial and ethnic minorities, women, handicapped persons, elderly and other underserved persons. In supplemental information the applicant states that “*All of the residents will be transferred from three of the State Centers. The Medicaid funding for these individuals will transfer to Morrow Valley Farmstead to pay for their cost of care.*”

The applicant adequately demonstrates that medically underserved groups will have adequate access to the proposed ICF/IID 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.7, page 34, the applicant states that referrals may come from Managed Care Organizations, local hospitals, and the participating state operated developmental disabilities centers. See also Exhibits 3 and 30. The applicant adequately demonstrates 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

In Section V.1, page 42, and Exhibit 6, the applicant describes how the facility will accommodate the clinical needs of area health professional training programs, as follows:

“GHA Autism Supports, Inc. participates in regular professional training programs in the area and throughout North Carolina to accommodate the clinical needs of professional staff. The following are organizations which GHA Autism Supports, Inc. partners with in training opportunities:

*Cardinal Innovations Healthcare Solutions
NC Providers Association
NC Council of Community Programs
NC Providers Council*

Sandhills Center
Smoky Mountain Center
Partners Behavioral Health Management
CenterPoint Human Services
Alliance Behavioral Healthcare
Trillium Healthcare Resources
Eastpointe”

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 applicant proposes to develop a new ICF/IID facility with 10 beds by transferring 10 ICF/IID beds, and the individuals who currently occupy those beds, from state operated ICF/IID facilities. There are four (4) state operated facilities that have licensed ICF/IID beds.

On page 395, the 2016 SMFP defines the service area for ICF/IID beds as the catchment area for the LME-MCO for mental health, developmental disabilities, and substance abuse services in which the bed is located. Currently, Cardinal Innovations Healthcare Solutions comprises the two previous Cardinal Innovation LME-MCOs and MeckLink of Mecklenburg County. Stanly County is one of the counties in the catchment area for Cardinal Innovations. (See page 399 of the 2016 SMFP.) Facilities may also serve residents of counties not included in their service area.

In Section V.6, page 44, the applicant discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services.

See also Sections II, III, V, VI and VII where the 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 applicant adequately demonstrates the need for the proposed project and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that it will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicant demonstrates that it will provide adequate access to medically underserved groups. 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

The applicant, GHA Autism Supports, currently operates six (6) IFC/IID group homes in North Carolina. According to the files in the Mental Health Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding submission of the application through the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on any facility owned and operated by the applicant, GHA Autism Supports, in North Carolina. After reviewing and considering information provided by the applicant and by the Mental Health Licensure and Certification Section, and considering the quality of care provided at all six facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

C

The application is conforming with all applicable Criteria and Standards for Intermediate Care Facility/Mentally Retarded (ICF/MR) promulgated in 10A NCAC 14C .2400. The specific criteria are discussed below.

SECTION .2400 – CRITERIA AND STANDARDS FOR INTERMEDIATE CARE FACILITY/MENTALLY RETARDED (ICF/MR)

10A NCAC 14C .2402 INFORMATION REQUIRED OF APPLICANT

(a) An applicant proposing to establish new ICF/MR beds shall project an occupancy level for the entire facility for the first eight calendar quarters following the completion of the proposed project. The application shall contain all assumptions and the methodology for projecting occupancy.

-NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(b) An applicant proposing to establish new ICF/MR beds shall project resident origin by percentage by county of residence.

-NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(c) An applicant proposing to establish new ICF/MR shall specify the primary site on which the facility will be located. If such site is neither owned by nor under option by the applicant, the applicant shall provide a written commitment to diligently pursue acquiring the site if and when a certificate of need application is approved, shall specify at least one alternate site on which the facility could be located should acquisition efforts relative to the primary site ultimately fail, and shall demonstrate that the primary site and alternate sites are available for acquisition.

-NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(d) An applicant proposing to establish new ICF/MR beds shall document that the services will be provided in a physical environment that conforms with the requirements in 10A NCAC 27G .0300.

-NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(e) An applicant proposing to establish new ICF/MR beds shall document that the existing or proposed facility is located within 45 minutes normal automobile driving time (one-way) of the resident's developmental day programs.

-NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(f) An applicant proposing to establish new ICF/MR beds shall document that provisions for recreation areas and activities are appropriate to the developmental level of the proposed residents.

-NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(g) The applicant shall identify the Area Authority that will serve as the Single Portal of Entry/Exit for the facility.

- C- In Section II, page 20, the applicant states that the Area Authority that will serve as the Single Portal of Entry/Exit for the facility is Cardinal Innovations Healthcare Solutions. See also Exhibit 3.

10A NCAC 14C .2403 PERFORMANCE STANDARDS

(a) An applicant proposing to add ICF/MR beds to an existing facility shall not be approved unless the average occupancy, over the six months immediately preceding the submittal of the application, of the total number of ICF/MR beds within the facility in which the new beds are to be operated was at least 90 percent.

- NA- The applicant is not proposing to add ICF/MR beds to an existing facility.

(b) An applicant proposing to establish new ICF/MR beds shall not be approved unless occupancy is projected to be at least 90 percent for the total number of ICF/MR beds proposed to be operated in the entire facility, no later than one year following the completion of the proposed project.

- NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(c) An applicant proposing to establish new ICF/MR beds shall comply with one of the following models:

- (1) a residential community based freestanding facility with six beds or less, i.e., group home model;*
- (2) a community-based facility with 7 to 15 beds if documentation is provided that a facility of this size is necessary because adequate residential community based freestanding facilities are not available in the Area Authority catchment area to meet the needs of the population to be served; or*
- (3) a facility with greater than 15 beds if the proposed new beds are to be established in response to an adjusted need determination contained in the 2003 State Medical Facilities Plan.*

- NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(d) No more than three intermediate care facilities for the mentally retarded housing a combined total of 18 persons shall be developed on contiguous pieces of property, with the exception that this standard shall be waived for beds proposed to be established in response to an adjusted need determination contained in the 2003 State Medical Facilities Plan.

- C- In Section II, page 21, the applicant states that “*The location of the ICF/IID facilities currently operated by GHA Autism Supports are not on the same parcel of land, nor contiguous, to the land allocated to this new project.*”

10A NCAC 14C .2405 STAFFING AND STAFF TRAINING

(a) An application for new ICF/MR beds shall document that the staffing pattern for the ICF/MR will comply with staffing requirements as contained in 10A NCAC 27G .2102 and 42 CFR 483.430 which are incorporated by reference including all subsequent amendments.

-NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.

(b) An application for new ICF/MR beds shall document that the ICF/MR will be administered by a qualified developmental disabilities professional.

-NA- The applicant is not proposing to establish any new ICF/IID (formerly ICF/MR) beds.