

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: January 24, 2017

Findings Date: January 24, 2017

Project Analyst: Celia C. Inman

Assistant Chief: Martha J. Frisone

Project ID #: G-11263-16

Facility: Friends Homes West

FID #: 933179

County: Guilford

Applicant: Friends Homes, Inc.

Project: Relocate 10 unrestricted NF beds from Friends Homes at Guilford to Friends Homes West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends Homes West at completion of this project and Project I.D. #G-11262-16

### 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.

NA

The applicant, Friends Homes, Inc., proposes to relocate 10 unrestricted nursing facility (NF) beds from Friends Homes at Guilford (Friends Guilford) to Friends Homes West (Friends West) for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 adult care home (ACH) beds at Friends West at completion of this project and Project I.D. #G-11262-16. In concurrently filed Project ID #G-11262-16, the applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of the two concurrently filed and co-dependent projects. Friends Guilford and Friends West are continuing care retirement communities (CCRCs) in Guilford County owned by Friends

Homes, Inc. The total number of NF beds will not change at either location, only the certification classification of 10 NF beds will change at each community. Policy NH-2 beds cannot be certified for Medicaid; unrestricted NF beds can be certified for Medicaid. Furthermore, the proposed projects will have no effect on the Guilford County inventory of NF beds.

### **Need Determination**

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2016 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

### **Policies**

**POLICY NH-6: RELOCATION OF NURSING FACILITY BEDS** is applicable to this review.

Policy NH-6 states:

*“Relocations of existing licensed nursing facility beds are allowed only within the host county and to contiguous counties currently served by the facility, except as provided in Policies NH-4, NH-5 and NH-7. Certificate of need applicants proposing to relocate licensed nursing facility beds to contiguous counties shall:*

- 1. Demonstrate that the facility losing beds or moving to a contiguous county is currently serving residents of that contiguous county; and*
- 2. Demonstrate that the proposal shall not result in a deficit, or increase and [any]existing deficit in the number of licensed nursing facility beds in the county that would be losing nursing facility beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins; and*
- 3. Demonstrate that the proposal shall not result in a surplus, or increase an existing surplus of licensed nursing beds in the county that would gain nursing facility beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

The applicant is proposing to relocate existing NF beds within Guilford County, the host county. Therefore, the application is consistent with Policy NH-6.

## **Conclusion**

In summary, the application is consistent with Policy NH-6. Therefore, the application is conforming to this criterion.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

## C

The applicant proposes to relocate 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West at completion of this project and Project I.D. #G-11262-16. In concurrently filed Project ID #G-11262-16, the applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of the two concurrently filed and co-dependent projects. The parent company, Friends Homes, Inc., owns and operates the two Guilford County CCRCs. The total number of NF beds will not change at either location, only the certification classification of 10 NF beds will change at each community. Furthermore, the proposed projects will have no effect on the total inventory of Guilford County NF beds.

## **Patient Origin**

On page 199, the 2016 SMFP defines the service area for NF beds as, “*the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.*” Friends West is located in Guilford County. Thus, the service area for this project consists of Guilford County. Facilities may serve residents of counties not included in their service area.

In Section III.9(b), page 25, the applicant states that the majority of residents in the NF health center at Friends West were previously Independent Living (IL) residents at the CCRC and therefore were residents of Guilford County. Based upon historical patient origin, the applicant identifies the proposed patient origin for the CCRC’s nursing and ACH beds, as illustrated below.

| <b>County</b> | <b>% of Total<br/>NF<br/>Admissions</b> | <b>% of Total<br/>ACH<br/>Admissions</b> |
|---------------|---|--|
| Guilford      | 100.0%                                  | 97.0%                                    |
| Forsyth       | 0.0%                                    | 3.0%                                     |
| <b>Total</b>  | <b>100.0%</b>                           | <b>100.0%</b>                            |

The applicant states that the above projection assumes current direct admit residents to the health center will still be residing in their current level of care during the first full federal fiscal year and there are no additional direct admits into the health center from outside of the CCRC. The applicant adequately identifies the population proposed to be served.

**Analysis of Need**

Friends West and Friends Guilford, the two Guilford County CCRCs owned by Friends Homes, Inc., have current bed complements as shown in the table below:

| <b>Type of CCRC Bed</b>          | <b>Friends Homes<br/>at Guilford</b> | <b>Friends Homes<br/>West</b> |
|----------------------------------|--------------------------------------|-------------------------------|
| NF Beds by Type                  |                                      |                               |
| Policy NH-2 Beds*                | 0                                    | 40                            |
| SCU Alzheimer’s Beds             | 12                                   | 0                             |
| General NF Beds (excluding SCU)^ | 57                                   | 0                             |
| Total NF Beds                    | 69                                   | 40                            |
| ACH Beds                         | 60                                   | 40                            |
| IL Units                         | 196                                  | 171                           |
| <b>Total</b>                     | <b>325</b>                           | <b>251</b>                    |

\*The 40 Policy NH-2 beds are exclusively for Friends West CCRC residents; 10 of the 40 are certified Medicare only

^Of the 57 licensed general NF beds, 50 are dually certified Medicaid/Medicare

As the table above shows, Friends Guilford currently has 57 unrestricted NF beds, 50 of which are dually licensed and certified Medicaid/Medicare NF beds; Friends Homes West has 40 Policy NH-2 NF beds, 10 of which are certified Medicare only. By policy, NH-2 beds, “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.” and “Will not be certified for participation in the Medicaid program.” Therefore, Friends West does not have any Medicaid NF beds to accommodate its CCRC residents who have depleted their financial resources. Furthermore, by policy, Friends West can only fill its 40 Policy NH-2 beds with internal CCRC residents, which does not allow Friends West to meet the outside community’s need/demand for nursing or rehabilitation services, even though it has 10 Medicare-certified NF beds. Because of the restrictions associated with the Policy NH-2 beds, the applicant states that Friends West has been operating below target occupancy. In Section IV.1, page 27, the applicant shows

Friends West's NF bed utilization at 82% during the most recent nine month period. In Section III.6, page 23, the applicant states that Friends Guilford has consistently run a NF bed census in excess of 95%, whereas Friends West has run a NF census below 90% for an extended period. The applicant further states:

*"The transfer of 10 non-sheltered Medicaid/Medicare licensed and certified beds from Friends Homes at Guilford to Friends Homes West will allow Friends Homes West to admit short-term rehab residents to its nursing center in order to maintain a census of 95%. The addition of the Medicaid beds to Friends Homes West will also allow its current resident population that has exhausted all of their assets to remain in the community they moved into rather than being transferred to Friends Homes at Guilford in order to be in a Medicaid licensed and certified bed."*

In Section III.1.(a), page 20, the applicant states that Friends West currently has four residents that are residing at Friends Guilford in a Medicaid-certified bed because the residents have depleted their financial resources and Friends Homes West has no Medicaid-certified beds to move the resident into. The applicant further states:

*"Many times moving a Medicaid eligible resident from Friends Homes West to Friends Homes at Guilford means a resident may be separated from long-time friends or even a spouse."*

The applicant states that the relocation of Medicaid-eligible residents to Friends Guilford has occurred over the past years and management expects Friends West to continue to see the need for Medicaid beds due to the increasing costs of providing health care along with the increase in life expectancies. The applicant further states:

*"The transfer of 10 dually licensed/certified Medicare/Medicaid beds from Friends Homes at Guilford to Friends Home West will meet a need for the Friends Homes West community and outside community without impacting the operations of Friends Homes at Guilford."*

The applicant further states that Friends West will use the 10 relocated Medicaid NF beds to serve only residents of the CCRC, who fall within the Policy NH-2 restrictions, so that the existing 10 Medicare-certified beds can be *"utilized to offer short-term rehab stays to the outside community when Friends Homes West nursing census falls below the 96% occupancy level."*

The following table shows the proposed bed complement at the two CCRCs following the completion of this project and concurrently-filed and co-dependent Project ID #G-11262-16.

| Type of CCRC Bed                | Friends Homes at Guilford | Friends Homes West |
|---------------------------------|---------------------------|--------------------|
| NF Beds by Type                 |                           |                    |
| Policy NH-2 Beds*               | 10                        | 30                 |
| SCU Alzheimer's Beds            | 12                        | 0                  |
| General NF Beds(excluding SCU)^ | 47                        | 10                 |
| Total NF Beds                   | 69                        | 40                 |
| ACH Beds                        | 60                        | 40                 |
| IL Units                        | 196                       | 171                |
| <b>Total</b>                    | <b>325</b>                | <b>251</b>         |

\*The Policy NH-2 beds are exclusive to the residents of the respective CCRCs. 10 of Friends West's 30 Policy NH-2 beds are certified Medicare only.

^40 of Friends Guilford's 47 general NF beds are dually licensed; All 10 of Friends West's general NF beds will be dually licensed.

As shown in the table above, the total number of licensed NF and ACH beds remains the same for each facility. However, the certification classification of NF beds changes at both facilities, better meeting the needs at each facility.

Projected Utilization

In Section IV.2, pages 29-30, the applicant provides projected utilization for the entire CCRC through the first two full fiscal years (FFY) of operation following project completion (October 1, 2017 – September 30, 2019), as summarized below.

**CCRC Projected Utilization**

|                       | FFY2018   | FFY2019   |
|-----------------------|-----------|-----------|
| <b>Total NF Beds</b>  | <b>40</b> | <b>40</b> |
| Patient Days of Care  | 13,870    | 13,870    |
| Occupancy Rate        | 95%       | 95%       |
| <b>Total ACH Beds</b> | <b>40</b> | <b>40</b> |
| Resident Days         | 13,140    | 13,140    |
| Occupancy Rate        | 90%       | 90%       |

As shown in the above table, the applicant projects an occupancy rate of 95% for the NF beds in the first full fiscal year of operation (FFY2018). The applicant projects the same utilization in the second full fiscal year of operation (FFY2019).

The applicant states that the assumptions and methodology used to project utilization are based on the existing residents of Friends West, with the NF census increasing by four residents upon project implementation, January 1, 2017, when Friends West residents currently residing at Friends Guilford are transferred back to Friends West's proposed Medicaid beds. The applicant also states that Friends West will admit short term rehab residents from outside the CCRC in order to achieve 95% occupancy. Projected utilization is based on reasonable and adequately supported assumptions.

**Access**

In Section III.6, page 23, the applicant states that the transfer of the NF beds to Friends West will enable it to financially qualify more people with less financial resources for independent living, knowing Medicaid will be an option for them when health services are needed.

In Section VI.3, page 37, the applicant provides the projected days of care at Friends Homes Guilford by percentage by payor source, as summarized below.

| <b>Friends Homes West<br/>Projected Patient Days as Percent of Total<br/>Utilization<br/>10/1/2018-9/30/2019</b> |                         |                      |
|--|-------------------------|----------------------|
| <b>Payor Source</b>  | <b>Nursing Patients</b> | <b>ACH Residents</b> |
| Private Pay  | 81%                     | 100%                 |
| Medicare   | 8%                      | 0%                   |
| Medicaid   | 11%                     | 0%                   |
| <b>TOTAL</b>   | <b>100%</b>             | <b>100%</b>          |

As shown in the table above, the applicant projects that 11% of its NF patient days will be reimbursed by Medicaid and 8% will be reimbursed by Medicare. The rest of the patient days at Friends West will be private pay. Thirty of the 40 NF beds are still Policy NH-2 beds and cannot be certified for Medicaid reimbursement. The applicant adequately demonstrates the extent to which all residents of the service area will have access to the services.

**Conclusion**

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need the population projected to be served has for the proposed project, and adequately demonstrates the extent to which all residents of the service area will have access to the services. Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

C

The applicant, Friends Homes, Inc., is the parent company to Friends West and Friends Guilford. In Section III.7, page 24, the applicant states that Friends Guilford has 10 dually

licensed and certified Medicare/Medicaid beds that are not currently being utilized by Medicaid/Medicare recipients. Friends West has a number of current residents who qualify for Medicaid as a payor source but Friends West is not permitted to operate any Medicaid beds. Friends Guilford does not currently have any Policy NH-2 beds. Transferring 10 Policy NH-2 beds from Friends West to Friends Guilford will allow Friends Guilford to better meet the need for a higher level of care for its CCRC residents as they age.

The total number of NF beds will not change at Friends West or Friends Guilford, only the certification classification at each community. Furthermore, the proposed projects will have no effect on the total inventory of Guilford County NF beds; therefore, the application is conforming with this criterion.

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

#### CA

The proposed project relocates 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West upon completion of this project and Project I.D. #G-11262-16. In concurrently filed Project ID #G-11262-16, the applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford at completion of the two concurrently filed and co-dependent projects.

In Section III.2, page 21, the applicant discusses the proposed project which it states is the only effective alternative. The applicant states that Friends West currently does not have any NF beds that are Medicaid certified and has had to relocate its residents who have depleted their assets to Friends Guilford. Some of those residents have lived at Friends West in independent or assisted living for many years and may even have a spouse living there as well. The applicant states that it does not want to separate those residents from their spouses or the Friends West family. The relocation of the 10 dually certified Medicare/Medicaid NF beds from Friends Guilford to Friends West would alleviate that problem. Maintaining the status quo would cause Friends West residents to continue to have to leave the facility when they become Medicaid eligible; therefore, maintaining the status quo was considered unacceptable.

Furthermore, the application is 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 their 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. **Friends Homes, Inc. d/b/a Friends Homes West shall materially comply with all representations made in the certificate of need application.**
  2. **Friends Homes, Inc. d/b/a Friends Homes Friends Homes West shall relocate no more than 10 unrestricted NF beds from Friends Homes at Guilford to Friends Home West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds and 40 ACH beds at Friends Homes West upon completion of this project and Project I.D. #G-11262-16. Upon completion of concurrently filed and co-dependent Project ID #G-11262-16, Friends Homes at Guilford will have a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds.**
  3. **Friends Homes, Inc. d/b/a Friends Homes Friends Homes West 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 relocate 10 NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West at completion of this project and Project I.D. #G-11262-16. In concurrently filed Project ID #G-11262-16, the applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of the two concurrently filed and co-dependent projects. Friends Homes, Inc. owns and operates the two Guilford County CCRCs. The total number of NF beds will not change at either location, only the certification classification of 10 NF beds will change at each community.

### **Capital and Working Capital Costs**

In Section VIII.1, pages 49-50, the applicant states there will be no capital cost associated with this project.

In Section IX, page 54, the applicant states there will be no start-up or initial operating expenses associated with the proposed project.

### **Availability of Funds**

In Sections VIII and IX, the applicant states that no capital or working capital funding will be necessary for the proposed project.

**Financial Feasibility**

In the pro forma financial statements (Form B and C), the applicant projects that revenues will exceed operating expenses for the proposed service component and the entire CCRC in the first two full fiscal years of the project, as shown in the following table.

| <b>Friends Homes West</b>  |  |   |
|--|--|---|
|  | <b>Nursing Facility<br/>FFY 2018 and 2019*</b> | <b>Entire Facility<br/>FFY 2018 and 2019*</b> |
| Projected # of days  | 13,870   | 83,220  |
| Projected Average Charge (Gross Patient Revenue / Projected # of days) | \$267  | \$126   |
| Patient Gross Revenue  | \$3,701,305                                    | \$10,525,657                                  |
| Other Revenues   | \$227,158                                      | \$2,734,358                                   |
| Total Revenue  | \$3,928,463                                    | \$13,260,015                                  |
| Total Expenses   | \$3,809,893                                    | \$11,901,707                                  |
| Net Income   | \$118,570                                      | \$1,358,308                                   |

\*Days, revenues and expenses are identical in each FFY

As the table above shows, the applicant projects a net profit of \$118,750 and \$1,358,308 for the nursing facility and entire CCRC, respectively, during each of the first two full fiscal years following completion of the project.

As discussed previously, Friends Homes, Inc. owns and operates Friends West and Friends Guilford. The following table illustrates the financial outcome, upon approval, of this project and concurrently filed and co-dependent Project ID #G-11262-16.

| <b>Friends Homes, Inc.<br/>Project IDs #G-11262-16 and #G-11263-16</b> |                           |
|--|---------------------------|
|  | <b>FFY 2018 and 2019*</b> |
| Total Friends Homes Revenue  | \$28,088,234              |
| Total Friends Homes Operating Expenses                                 | \$28,046,431              |
| Friends Homes Net Income   | \$41,803                  |

\*Days, revenues and expenses are identical in each FFY

As the table above shows, the applicant's concurrently filed and co-dependent projects to relocate categories of licensed nursing beds from one facility to the other result in a combined total net income of \$41,803.

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

this application and concurrently filed Project ID #G-11263-16 for the assumptions used regarding costs and charges. The discussion regarding projected utilization 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. Furthermore, the applicant adequately demonstrates the availability of sufficient funds for the operating needs of the project.

**Conclusion**

The applicant adequately demonstrates that the financial feasibility of this proposal is based upon reasonable projections of costs and charges. Furthermore, the applicant adequately demonstrates that sufficient funds will be available for the operating needs of the project. 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 relocate 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 NF beds, and 40 ACH beds at Friends West at completion of this project and Project I.D. #G-11262-16. In concurrently filed Project ID #G-11262-16, the applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of the two concurrently filed and co-dependent projects. The total number of NF beds will not change at either location, only the certification classification at each community. Furthermore, the proposed projects will have no effect on the Guilford County inventory of NF beds.

On page 199, the 2016 SMFP defines the service area for NF beds as, *“the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.”* Friends West is located in Guilford County. Thus, the service area consists of Guilford County. Facilities may serve residents of counties not included in their service area.

According to the 2016 SMFP there are 2,441 licensed NF beds in Guilford County. The 2016 SMFP, indicates there will be a surplus of 320 NF beds in Guilford County in 2019, as shown in the table below.

**Guilford County Nursing Bed Need Projections for 2019**

| <b>Total NF Bed Need Projected in 2019</b> | <b>Currently Licensed</b> | <b>Planning Inventory</b> | <b>Surplus</b> | <b>Additional Beds Needed</b> |
|--|---------------------------|---------------------------|----------------|-------------------------------|
| 2,024                                      | 2,441                     | 2,344                     | 320            | 0                             |

Source: Table 10B, 2016 State Medical Facilities Plan.

However, in this project, the applicant merely proposes to relocate 10 existing dually certified NF beds from its Friends Guilford CCRC to its Friends West CCRC. In concurrently filed Project ID #G-11262-16, the applicant proposes to relocate 10 existing Policy NH-2 beds from its Friends West CCRC to its Friends Guilford CCRC. There will be no change in total number of licensed NF beds at either facility or in Guilford County. Only the certification classification of 10 NF beds will change at each facility.

The applicant adequately demonstrates the need to relocate the beds. The discussion regarding need for the relocation of the beds found in Criterion (3) is incorporated herein by reference. Consequently, the applicant adequately demonstrates that the proposed project will not unnecessarily duplicate existing or approved NF beds in Guilford County. Therefore, the application is conforming to this criterion.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

In Section VII.3, pages 45-46, the applicant projects the staffing for the NF beds and total CCRC in the second full fiscal year of operation (FFY2019), as shown in the table below.

| Salaried Staff Position  | Number of Staff FTEs |              |              |               |
|--|----------------------|--------------|--------------|---------------|
|  | Nursing              | ACH          | IL           | Total         |
| Director of Nursing  | 0.90                 | 0.10         | 0.00         | 1.00          |
| Assistant Director of Nursing  | 0.10                 | 0.90         | 0.00         | 1.00          |
| Staff Development Coordinator  | 0.70                 | 0.20         | 0.10         | 1.00          |
| MDS Nurse  | 0.90                 | 0.10         | 0.00         | 1.00          |
| Clinic Nurse   | 0.00                 | 0.00         | 1.00         | 1.00          |
| RNs  | 4.20                 | 0.00         | 0.00         | 4.20          |
| LPNs   | 5.60                 | 4.20         | 0.00         | 9.80          |
| CNAs   | 22.40                | 14.00        | 0.00         | 36.40         |
| Ward Secretary   | 1.60                 | 0.40         | 0.00         | 2.00          |
| Medical Records  | 0.90                 | 0.10         | 0.00         | 1.00          |
| Dietary Services (Dietitian, Supervisor, Cooks, Aides, Nutritionist Super, Food Service Manager, Asst Manager) | 8.70                 | 7.70         | 16.60        | 33.00         |
| Social Work Services (Director, Asst)  | 0.50                 | 0.50         | 1.00         | 2.00          |
| Activity Services (Director, Asst, Wellness Dir)   | 1.00                 | 1.00         | 2.50         | 4.50          |
| Housekeeping (Supervisor, Techs, Aides)  | 4.50                 | 2.50         | 12.00        | 19.00         |
| Oper & Maint (Dir, Super, Tech, Purchasing, Groundskeeper, Admin Asst, Security Guards)                        | 1.45                 | 1.45         | 11.10        | 14.00         |
| Admin & Gen (Administrator, HR Mgr, HR Clerk, Orientation, Marketing, Reception, Admin Sec)                    | 1.10                 | 0.60         | 4.30         | 6.00          |
| <b>TOTAL</b>   | <b>54.55</b>         | <b>33.75</b> | <b>48.60</b> | <b>136.90</b> |

Friends West maintains contractual agreements for the Medical Director, Pharmacy Consultant, Physical Therapy, Occupational Therapy, and Speech Therapy.

On page 43, the applicant provides a table which illustrates the number of direct care staff per shift. In Section VII.4, page 47, the applicant provides the direct care nursing staff hours per patient day. The applicant projects that NF patients will receive 0.63 RN, 0.84 LPN and 3.36 CNA direct care nursing hours per patient day for a total of 4.83 direct care hours per patient day. The proposed NF staffing increases 0.10 FTE above the current staffing as shown on pages 41-42. In Section V.3, page 34, the applicant states that Friends Homes, Inc. has a long standing relationship with the current Medical Director and his practice, which is a component of Moses Cone Health System.

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

Exhibit 1 contains a copy of Friends Homes, Inc.'s management agreement with PHI Management Service, LLC. In Section VII, the applicant discusses various contractual arrangements to include: pharmacy and physical, speech, and occupational therapies. Exhibit 4 contains a transfer agreement with Moses Cone Health System and a facility evacuation agreement with Friends Guilford. The applicant discusses coordination with the existing health care system in Section V, pages 34-35.

The applicant adequately demonstrates that it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA

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

NA

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

services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NA

- (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;

C

Currently, Friends West operates 40 Policy NH-2 beds which, by policy, cannot be certified for Medicaid. In Section VI.2, page 36, the applicant provides the payor mix by percentage for Friends West during FFY2015, as summarized below.

| <b>Friends Homes West<br/>Current Patient Days as Percent of Total Utilization<br/>10/1/2014-9/30/2015</b> |                         |                      |                     |
|--|-------------------------|----------------------|---------------------|
| <b>Payor Source</b>  | <b>Nursing Patients</b> | <b>ACH Residents</b> | <b>IL Residents</b> |
| Private Pay  | 89%                     | 100%                 | 100%                |
| Medicare   | 11%                     | 0%                   | 0%                  |
| Medicaid   | 0%                      | 0%                   | 0%                  |
| <b>TOTAL</b>   | <b>100%</b>             | <b>100%</b>          | <b>100%</b>         |

As shown in the table above, the applicant states that 11% of its nursing patient days were reimbursed by Medicare and the rest of the resident days at Friends West were private pay.

The United States Census Bureau provides demographic data for North Carolina and all counties in North Carolina. The following table contains relevant demographic statistics for the applicant's service area.

| Percent of Population |               |               |                               |                        |                              |                                       |
|-----------------------|---------------|---------------|-------------------------------|------------------------|------------------------------|---------------------------------------|
| County                | % 65+         | % Female      | % Racial and Ethnic Minority* | % Persons in Poverty** | % < Age 65 with a Disability | % < Age 65 without Health Insurance** |
| 2014 Estimate         | 2014 Estimate | 2014 Estimate | 2014 Estimate                 | 2010-2014              | 2010-2014                    | 2014 Estimate                         |
| Guilford              | 14%           | 53%           | 48%                           | 17%                    | 7%                           | 18%                                   |
| Statewide             | 15%           | 51%           | 36%                           | 17%                    | 10%                          | 15%                                   |

<http://www.census.gov/quickfacts/table> Latest Data as of 12/22/15

\*Excludes "White alone" who are "not Hispanic or Latino"

\*\*\*This geographic level of poverty and health estimates are not comparable to other geographic levels of these estimates. Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable... The vintage year (e.g., V2015) refers to the final year of the series (2010 thru 2015). Different vintage years of estimates are not comparable."

However, a direct comparison to the applicants' current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities, women or handicapped persons utilizing health services.

The applicant demonstrates that it currently provides adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

- (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.2, page 36, the applicant shows that 11% of the care provided in the NF beds at Friends West were reimbursed by Medicare. See Exhibit 5 for Friends West's resident agreement covering admissions, fees, obligations and rights. In Section VI.6, page 38, the applicant states that it is not aware of any documented civil rights access complaints having been filed. The application is conforming to this criterion.

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

C

In Section VI.3, page 37, the applicant provides the projected payor mix for FFY2019 (Project Year 2), as shown in the following table.



| <b>Friends Homes West<br/>Projected Patient Days as Percent of Total Utilization<br/>10/1/2018-9/30/2019</b> |                         |                      |                     |
|--|-------------------------|----------------------|---------------------|
| <b>Payor Source</b>  | <b>Nursing Patients</b> | <b>ACH Residents</b> | <b>IL Residents</b> |
| Private Pay  | 81%                     | 100%                 | 100%                |
| Medicare   | 8%                      | 0%                   | 0%                  |
| Medicaid   | 11%                     | 0%                   | 0%                  |
| <b>TOTAL</b>   | <b>100%</b>             | <b>100%</b>          | <b>100%</b>         |

On page 37, the applicant states that admission to nursing care is made primarily from within the facility, with priority being given to the needs of those residents who are members of the community and secondly to those on the current waiting list. Upon project completion, 10 of Friends West's 40 NF beds will be certified to accept Medicaid. The applicant demonstrates that medically underserved populations will have adequate access to the proposed 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 38, the applicant describes the range of means by which a person will have access to the proposed services, stating:

*"Friends Homes West receives referrals from local hospitals, other nursing facilities, assisted living facilities, Department of Social Services, Hospice and individuals and families from the community."*

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 34, the applicant refers to Exhibit 3, which contains Friends Homes West's professional training agreements with The University of North Carolina at Greensboro and Weaver Academy. The applicant demonstrates that the proposed health services will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
  - (16) Repealed effective July 1, 1987.
  - (17) Repealed effective July 1, 1987.
  - (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes to relocate 10 NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West upon completion of this project and Project I.D. #G-11262-16.

On page 199, the 2016 SMFP defines the service area for NF beds as, “*the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.*” Friends West is located in Guilford County. Thus, the service area consists of Guilford County. Facilities may serve residents of counties not included in their service area.

In concurrently filed Project ID #G-11262-16, the applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford at completion of the two concurrently filed and co-dependent projects.

Friends West and Friends Guilford have current bed complements as shown in the table below:

| Type of CCRC Bed                 | Friends Homes<br>at Guilford | Friends Homes<br>West |
|----------------------------------|------------------------------|-----------------------|
| NF Beds by Type                  |                              |                       |
| Policy NH-2 Beds*                | 0                            | 40                    |
| SCU Alzheimer's Beds             | 12                           | 0                     |
| General NF Beds (excluding SCU)^ | 57                           | 0                     |
| Total NF Beds                    | 69                           | 40                    |
| ACH Beds                         | 60                           | 40                    |
| IL Units                         | 196                          | 171                   |
| <b>Total</b>                     | <b>325</b>                   | <b>251</b>            |

\*The 40 Policy NH-2 beds are exclusively for Friends West CCRC residents; 10 of the 40 are certified Medicare only

^Of the 57 licensed general NF beds, 50 are dually certified Medicaid/Medicare

The following table shows the proposed bed complement for the two CCRCs following the completion of this project and concurrently-filed Project ID #G-11262-16.

| Type of CCRC Bed                 | Friends Homes<br>at Guilford | Friends Homes<br>West |
|----------------------------------|------------------------------|-----------------------|
| NF Beds by Type                  |                              |                       |
| Policy NH-2 Beds*                | 10                           | 30                    |
| SCU Alzheimer's Beds             | 12                           | 0                     |
| General NF Beds (excluding SCU)^ | 47                           | 10                    |
| Total NF Beds                    | 69                           | 40                    |
| ACH Beds                         | 60                           | 40                    |
| IL Units                         | 196                          | 171                   |
| <b>Total</b>                     | <b>325</b>                   | <b>251</b>            |

\*The Policy NH-2 beds are exclusive to the residents of the respective CCRCs. 10 of Friends West's 30 Policy NH-2 beds are certified Medicare only.

^40 of Friends Guilford's 47 general NF beds are dually certified; All 10 of Friends West's general NF beds will be dually certified.

As shown in the tables above, the total number of licensed NF and ACH beds remains the same for each facility. However, the certification classification of 10 NF beds changes at both facilities better meeting the needs at each facility. The applicant does not propose to increase the number of licensed NF beds, add services, or acquire equipment for which there is a need determination methodology in the 2016 SMFP.

In Section V.6, page 35, the applicant discusses how any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services, stating:

*"Friends Homes West will be able to continue to offer high-quality healthcare to residents who have exhausted their resources and not require them to move from their home. In addition, Friends Homes West will also be able to market short-term rehab options to the outside community, which will allow these patients to again receive high*

*quality rehab services as they work toward transitioning from the hospital back to their personal homes.”*

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

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

- The applicant adequately demonstrates the need to relocate NF beds within the two Friends Homes, Inc. CCRC facilities in Guilford County and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criterion (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that it will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is incorporated herein by reference.

The application is conforming to this criterion.

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

## C

In Section I.12, page 8, the applicant lists Friends Homes at Guilford and Friends Homes West as the only nursing facilities owned and operating by Friends Homes, Inc. in North Carolina. The applicant further states on page 8-9 that its management company, PHI Management Services, LLC, which is wholly-owned by Presbyterian Homes, Inc., manages several facilities in North Carolina, including:

- The Presbyterian Home of High Point,
- Scotia Village, in Laurinburg,
- Glenaire, in Cary, and
- River Landing at Sandy Ridge, in High Point.

According to the Nursing Home Licensure and Certification Section, DHSR, during the 18 months immediately preceding the submittal of the application through the date of the decision there were no incidents for which certification deficiencies constituting substandard

quality of care were found at the facilities listed on pages 8-9 of the application and above. After reviewing and considering information provided by the applicant and by the Nursing Home 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.

NA