

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: July 27, 2018

Findings Date: July 27, 2018

Project Analyst: Celia C. Inman

Team Leader: Fatimah Wilson

Project ID #: G-11496-18

Facility: Guilford House

FID #: 100777

County: Guilford

Applicants: Greensboro AL Holdings, LLC

Guilford Propco Holdings, LLC

Project: Relocate 29 ACH beds from Wellington Oaks to Guilford House for a total of 85 SCU beds at Wellington Oaks and a total of 89 ACH beds at Guilford House, including 32 SCU beds

### 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.

C

Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC, collectively referred to as “the applicants” propose to relocate 29 existing adult care home (ACH) beds from Wellington Oaks, located at 3004 Dexter Avenue, Greensboro, to Guilford House, an existing ACH facility located at 5918 Netfield Road, Greensboro, pursuant to Policy LTC-2. Both facility locations are in Guilford County and under common ownership.

Table 11A of Chapter 11 of the 2018 State Medical Facilities Plan (SMFP) lists Wellington Oaks with 114 ACH beds and Guilford House with 60 ACH beds in the inventory of Guilford County ACH beds. The Adult Care Licensure (ACL) Section documents that Wellington Oaks was licensed for 114 ACH beds, including 85 Special Care Unit (SCU) beds, effective through

April 3, 2018. Effective April 4, 2018, Wellington Oaks relinquished the license to 29 general ACH beds. A telephone conversation on June 21, 2018 between the CON Section and the ACL Section confirms Wellington Oaks has submitted its request to de-license 29 beds and the State is in the process of working on the request, but has not completed the survey and paperwork. The ACL Section also documents that Guilford House is currently licensed for 60 ACH beds, including 32 SCU beds.

On March 20, 2018, the Agency received this CON application, applying to relocate the 29 general ACH beds to be relinquished at Wellington Oaks. The CON application holds those 29 beds in the North Carolina inventory of licensed ACH beds pending the Agency's decision on the CON application. Following completion of the project, Wellington Oaks will be licensed for 85 ACH SCU beds, and assuming approval of the application, Guilford House would be licensed for 89 ACH beds, including 32 SCU 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 2018 SMFP. Therefore, there are no need determinations applicable to this review.

### **Policies**

There are two policies in the 2018 SMFP which are applicable to this review: *Policy LTC-2: Relocation of Adult Care Home Beds* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy LTC-2 states:

*“Relocations of existing licensed adult care home beds are allowed only within the host county and to contiguous counties. Certificate of need applicants proposing to relocate licensed adult care home 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 an existing deficit in the number of licensed adult care home beds in the county that would be losing adult care home beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins; and*
- 3. Demonstrate that the proposal shall not result in a surplus, or increase an existing surplus of licensed adult care home beds in the county that would gain adult care home beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

Both Guilford House and Wellington Oaks are located in Guilford County. The number of licensed adult care home beds in Guilford County will not change as a result of the proposed relocation. Therefore, the application is consistent with Policy LTC-2.

Policy GEN-4, on page 33 of the 2018 SMFP, 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, Certificate of Need 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 is required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”*

The proposed capital expenditure for this project exceeds \$2 million and is less than \$5 million; therefore, Policy GEN-4 is applicable to this review. In Section B.10, page 18, the applicants state that the proposed building addition will be constructed using the latest technologies to assure maximum energy efficiency, in compliance with the requirements of Policy GEN-4 in the SMFP. The applicants further include a written statement describing specifics related to energy and water usage efficiencies.

The applicants adequately demonstrate that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

### **Conclusion**

In summary, the applicants adequately demonstrate that the proposal is consistent with the 2018 SMFP Policy LTC-2 and Policy GEN-4. Therefore, the application is conforming to this criterion.

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- the applicants adequately document the plan for relocating existing ACH beds from Wellington Oaks in Guilford County to the existing facility, Guilford House in Guilford County, and
  - the applicants provide a written statement that demonstrates that the project includes an plan for energy efficiency and water conservation.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

## C

The applicants propose to relocate 29 ACH beds from Wellington Oaks to Guilford House, pursuant to Policy LTC-2, for a total of 89 ACH beds, including 32 existing SCU beds at Guilford House, upon completion of the project. All 85 (114 – 29) ACH beds remaining at Wellington Oaks will remain SCU beds.

In Section C.1, pages 20-22, the applicants discuss the scope of the project and the current and future provision of a comprehensive range of long-term care services for the residents at Guilford House.

### **Patient Origin**

On page 211, the 2018 SMFP defines the service area for adult care home beds as:

*“An adult care home bed’s service area is the adult care home planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area.”*

Guilford House is an existing adult care home facility 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 Sections C.2, pages 22-23, the applicant provides the current patient origin for the existing 60 ACH beds at Guilford House for the last full operating year, as of March 1, 2018, as summarized below.

**Guilford House  
 Historical Patient Origin for 60 Licensed ACH Beds**

County	General ACH Beds		SCU ACH Beds		Total ACH Beds	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Alamance	1	1%	1	1%	2	3%
Cabarrus	1	1%	0	0%	1	1%
Forsyth	0	0%	1	1%	1	1%
Guilford	36	44%	33	41%	69	84%
Lee	0	0%	1	1%	1	1%
Person	0	0%	4	5%	4	5%
Randolph	0	0%	1	1%	1	1%
Rockingham	0	0%	1	1%	1	1%
Outside of NC	0	0%	2	3%	2	3%
<b>TOTAL</b>	<b>38</b>	<b>46%</b>	<b>44</b>	<b>54%</b>	<b>82</b>	<b>100%</b>

Source: Exhibit C.1

Totals may not sum due to rounding

In Section C.3, page 23, the applicant provides the projected patient origin for the 29 ACH beds that are being proposed to be relocated from Wellington Oaks to Guilford House, as summarized below.

**Guilford House  
 Projected Patient Origin for 29 Relocated ACH Beds**

County	General ACH Beds		SCU ACH Beds		Total ACH Beds	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Alamance	1	2%	0	0%	1	2%
Cabarrus	1	2%	0	0%	1	2%
Forsyth	0	0%	0	0%	0	0%
Guilford	27	96%	0	0%	27	96%
Lee	0	0%	0	0%	0	0%
Person	0	0%	0	0%	0	0%
Randolph	0	0%	0	0%	0	0%
Rockingham	0	0%	0	0%	0	0%
Outside of NC	0	0%	0	0%	0	0%
<b>TOTAL</b>	<b>29</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>29</b>	<b>100%</b>

Source: Application, page 23

Totals may not sum due to rounding

The applicants state that the projected patient origin for the 29 beds to be relocated was distributed on the basis of the last full operating year of statistics for Guilford House's general ACH beds, converting the 46% to 100% and applying the percentages to the 29 beds.

On page 23, the applicants state:

*“The Applicants expect that the resident population to be served in the 29 ACH beds sought to be relocated to Guilford House will closely trend to the resident population served by Guilford House throughout the past full fiscal year. The Applicants applied only the statistics related to General ACH beds and that is reflected in the table above. Additional county details are reflected in Exhibit C.1.”*[emphasis added in original]

Based on the assumptions provided by the applicants, one assumes the applicants project the historical patient origin for the existing 28 general and the 32 SCU ACH beds will remain unchanged for the projected patient origin and will be as shown on pages 22-23 and in the summary table above.

The applicants’ assumptions are reasonable and adequately supported.

### **Analysis of Need**

In Section C.4, pages 23-28, the applicants explain why they believe Guilford County and the population projected to utilize the proposed services need the proposed services. The applicants describe the key factors which they state drive the need for the proposed project, as listed below:

- recent ACH bed relocations (pages 24-25);
- internal struggles of Brookdale Senior Living (page 25);
- lack of physical space in older floorplans and room configurations (pages 25-26);
- lack of placement options for Guilford County special assistance/Medicaid residents (page 26);
- Guilford County’s growing senior population (pages 26-28); and
- local support to retain 29 ACH beds in Guilford County (page 28).

The applicants provide supporting documentation for the above factors in Exhibits C.2 through C.7. The information is reasonable and adequately supported for the following reasons:

- The applicants demonstrate that a close inspection of the utilization rates of 158 relocated Guilford County ACH beds “*reveals that these beds are not yet fully utilized due to their transition to a new adult care home. . . . The SMFP utilization statistics are simply behind since they are calculated in arrears every year.*”
- The applicants demonstrate that Brookdale Senior Living, the country’s largest senior living provider, is experiencing internal struggles, with the recent exit of its CEO and the rejection of a bid by investors to take over the company. Brookdale has transitioned management of a number of facilities to other operators. Brookdale operates five facilities in Guilford County with utilization rates below 75% in all five facilities. See Exhibit C.3.
- The applicants demonstrate that many older Guilford County ACH facilities are operating at their “full physical capacity”, as opposed to their “licensed capacity”,

because the older floorplans and room configurations can no longer comfortably accommodate the total number of residents for which the facility is licensed. Today's residents and their families expect to be housed in single occupancy private rooms which were designed and built to house two residents.

- The applicants demonstrate that the North Carolina Division of Medical Assistance (DMA) reports that 24% of the population in North Carolina was eligible for Medicaid, and that 15.1% of all service dollars go to the “aged” group. See Exhibit C.6. The applicants’ proposed relocation of 29 ACH beds projects filling up to 31.6% of its census with state / county special assistance residents, which the applicants state, “*will greatly fill the void to place special assistance residents in adult care homes within Guilford County.*”
- The applicants demonstrate that the Guilford County population is projected to grow approximately 14.2% in the next 20 years, with the 75-84 and the 85+ age groups both growing a rate of more than 72% during the same time period. The applicants state that based on SMFP statistics, the 85+ age group has the most need for ACH beds.
- The applicants discuss their correspondence with Guilford County officials, local health agencies, businesses, and individuals who greatly support the proposed project. See Exhibit C.7.

### Projected Utilization

In Section Q, the applicant provides the historical and projected utilization for the proposed service. Section C. 7 requires the completion of Form C Utilization, which is found in Section Q and asks for data for the last full federal fiscal year (FFY) prior to submission of the application, interim data for each FFY prior to the first operating year, and the projected annual utilization data for the first three full FFYs following completion of the proposed project. The applicants project that the project will be complete and begin offering services on October 1, 2020; therefore the first three full FFY after completion of the project would be October 1, 2020 – September 30, 2021, October 1, 2021 – September 30, 2022, and October 1, 2022 – September 30, 2023. The applicants’ historical and projected utilization provided in Section Q, Form C is summarized below.

**Guilford House  
Form C Utilization**

	<b>Prior Full FFY2017</b>	<b>Interim 10/1/17-1/31/18</b>	<b>1st Full FFY 10/1/20-9/30/21</b>	<b>2nd Full FFY 10/1/21-9/30/22</b>	<b>3rd Full FFY 10/1/22-9/30/23</b>
<b>General ACH Beds</b>					
# of Beds	28	28	57	57	57
Patient Days	8,867	8,907	13,510	18,887	19,345
Occupancy Rate	86.8%	87.2%	64.9%	90.8%	93.0%
<b>SCU ACH Beds</b>					
# of Beds	32	32	32	32	32
Patient Days	10,085	11,283	10,950	10,950	10,950
Occupancy Rate	86.3%	96.6%	93.8%	93.8%	93.8%
<b>Total ACH Beds</b>					
# of Beds	60	60	89	89	89
Patient Days	18,952	20,190	24,460	29,837	30,295
Occupancy Rate	86.5%	92.2%	75.3%	91.8%	93.3%

However, the applicants did not include all the interim years between the last full FFY prior to submission of the application and the first full FFY following completion of the project. It appears that the Interim time period, 10/1/17-1/31/18, in the table provided by the applicants is mislabeled and actually represents the full FFY2018, judging by the projected patient days and occupancy rates. Because the applicants did not include the Interim FFY2019 and FFY2020, the Project Analyst conservatively projected those years at the Interim FFY2018 utilization and included those years in the following Form C Utilization.

**Guilford House  
Form C Utilization**

	<b>Prior Full FFY2017</b>	<b>Interim FFY2018</b>	<b>Interim FFY2019</b>	<b>Interim FFY2020*</b>	<b>1st Full FFY 10/1/20-9/30/21</b>	<b>2nd Full FFY 10/1/21-9/30/22</b>	<b>3rd Full FFY 10/1/22-9/30/23</b>
<b>General ACH Beds</b>							
# of Beds	28	28	28	28	57	57	57
Patient Days	8,867	8,907	8,907	8,907	13,510	18,887	19,345
Occupancy Rate	86.8%	87.2%	87.2%	86.9%	64.9%	90.8%	93.0%
<b>SCU ACH Beds</b>							
# of Beds	32	32	32	32	32	32	32
Patient Days	10,085	11,283	11,283	11,283	10,950	10,950	10,950
Occupancy Rate	86.3%	96.6%	96.6%	96.3%	93.8%	93.8%	93.8%
<b>Total ACH Beds</b>	60	60	60	60	89	89	89
# of Beds	18,952	20,190	20,190	20,190	24,460	29,837	30,295
Patient Days	86.5%	92.2%	92.2%	91.9%	75.3%	91.8%	93.3%
Occupancy Rate	28	28	28	28	57	57	57

\*FFY2020 is a Leap Year.



As shown in the table above, the applicants project the occupancy rate for the general ACH, including the 29 relocated ACH beds which will be 90.8% in the second full FFY of operation following completion of the project. The utilization rate for the existing 32 SCU beds is projected to be 93.8% in each of the first three full years of the project, with the projected utilization of the total 89 ACH beds being 91.8% in the second full year of operation, which exceeds the utilization rate required in 10A NCAC 14C .1102(d).

The applicant provides its assumptions for the above projections on page 150 of Exhibit Q.1, as summarized below:

- The general ACH bed fill-up rate is an average of 3 residents per month until the ACH beds fill.
- The SCU fill-up rate is an average of 1 resident per month until the SCU beds fill.
- The general ACH beds are considered full at 93% in the first month of the second full FFY.
- The SCU beds are considered full at 88% in the ninth month of the first full FFY.

Projected utilization is reasonable and adequately supported for the following reasons:

- Projected utilization is based upon historical utilization, combined with projected facility growth.
- The fill-up rate of three ACH patients per month and one SCU patient per month is reasonable based on the facility's historical utilization and the applicants' projected need.

### Access

In Section C.8, pages 32, the applicant states:

*“The facility will allow admission only on the written order of a physician. Persons whose health, habilitative, or rehabilitative needs cannot be met by the services offered in the facility will not be admitted.”*

*Otherwise, all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment. Guilford House has historically been able to provide services to Medicaid/Special Assistance (approximately 31% of the resident population is on Medicaid/Special Assistance).”*  
[emphasis in original]

In Section L.3, page 60, the applicants project the following payor mix during the third full fiscal year of operation following completion of the project, FFY2023, as summarized in the following table.

**Guilford House ACH Beds  
10/1/22-9/30/23**

<b>County</b>	<b>General ACH Beds</b>	<b>SCU Beds</b>
Private Pay	67.9%	50.0%
County Special Assistance	32.1%	50.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

The projected payor mix is reasonable and adequately supported.

**Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on the review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- the applicant adequately identifies the population to be served,
- the applicant adequately explains why the population to be served needs the services proposed in this application,
- Projected utilization is reasonable and adequately supported, and
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

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

**C**

The applicants propose to relocate 29 existing ACH beds, within Guilford County, from Wellington Oaks to Guilford House. In Section A.6.(e), page 9, the applicants provide tables showing the existing and proposed number of ACH beds following completion of the proposed project at both Wellington Oaks and Guilford House, as summarized in the tables below.

**Wellington Oaks  
 Number of Licensed ACH Beds**

	# of Existing Licensed Beds	# Beds to be Relocated	# Beds Upon Project Completion
<b>General ACH Beds</b>			
Private Room	7	-7	0
Semi-private Room	22	-22	0
Total	29	-29	0
<b>SCU ACH Beds</b>			
Private Room	7	0	7
Semi-private Room	78	0	78
Total	85	0	85
<b>Total ACH Beds</b>			
Private Room	14	-7	7
Semi-private Room	100	-22	78
<b>Total</b>	<b>114</b>	<b>-29</b>	<b>85</b>

**Guilford House  
 Number of Licensed ACH Beds**

	# of Existing Licensed Beds	# Beds to be Relocated	# Beds Upon Project Completion
<b>General ACH Beds</b>			
Private Room	20	+19	39
Semi-private Room	8	+10	18
Total	28	+29	57
<b>SCU ACH Beds</b>			
Private Room	0	0	0
Semi-private Room	32	0	32
Total	32	0	32
<b>Total ACH Beds</b>			
Private Room	20	+19	39
Semi-private Room	40	+10	50
<b>Total</b>	<b>60</b>	<b>+29</b>	<b>89</b>

In Section D, pages 36-38, the applicants explain why they believe the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 36, the applicants state:

*“Currently, there are no residents utilizing the 29 ACH beds at Wellington Oaks. However, should any resident utilize any of the 29 ACH beds available at Wellington Oaks, the Applicants, along with the management company for Wellington Oaks – Affinity Living Group – will relocate such residents either to the new addition proposed to be built at Guilford House, or to another assisted living facility to which the resident desires to relocate.”* [emphasis in original]

In Section Q, Form C, the applicants provide projected utilization at Guilford House, as illustrated in the following table.

**Guilford House  
 Projected Utilization**

	<b>1st Full FFY 10/1/20-9/30/21</b>	<b>2nd Full FFY 10/1/21-9/30/22</b>	<b>3rd Full FFY 10/1/22-9/30/23</b>
<b>General ACH Beds</b>			
# of Beds	57	57	57
Patient Days	13,510	18,887	19,345
Occupancy Rate	64.9%	90.8%	93.0%
<b>SCU ACH Beds</b>			
# of Beds	32	32	32
Patient Days	10,950	10,950	10,950
Occupancy Rate	93.8%	93.8%	93.8%
<b>Total ACH Beds</b>			
# of Beds	89	89	89
Patient Days	24,460	29,837	30,295
Occupancy Rate	75.3%	91.8%	93.3%

In Exhibit C.5, page 107, the applicants provide the historic utilization of Wellington Oaks, as summarized below.

**Wellington Oaks  
 Historic Utilization**

<b>LRA Year</b>	<b>Licensed Beds</b>	<b>Patient Census</b>	<b>Special Assistance/ Medicaid Pt Days</b>	<b>Private Pay Pt Days</b>	<b>Total Patient Days</b>	<b>Occupancy Rate</b>
2014	114	43	6,203	842	7,045	16.9%
2015	114	45	8,248	2,977	11,225	27.0%
2016	114	59	14,539	3,942	18,481	44.3%
2017	114	69	19,255	3,878	23,133	55.6%
2018	114	77	19,103	3,627	22,730	54.6%

Source: Wellington Oaks Annual License Renewal Applications

As the table above illustrates, the licensed ACH beds at Wellington Oaks have not been fully utilized. In fact, an examination of the Wellington Oaks License Renewal Applications (LRAs) shows that the entire patient census, as listed above, was served in one of the 85 SCU beds each year, which documents that the 29 general ACH beds were not utilized at all.

Projected utilization at Guilford House is reasonable and adequately supported based on the following:

- Projected utilization is based upon historical utilization, combined with projected facility growth.

- The assumptions utilized for fill-up rates are reasonable based on the facility's historical utilization and the applicants' projected need.
- The applicants project utilization at capacity for the existing and relocated beds, when the beds being relocated were historically unutilized by Wellington Oaks.

In Section D.4, pages 37-38, the applicants state that the effect of the relocation of the 29 ACH beds will be to greatly enhance access to ACH beds for the groups listed on page 37 because Wellington Oaks is unable to serve any of those listed groups in the 29 ACH beds due to a lack of physical capacity. The applicants further state:

*“As is the current practice of Guilford House, the facility will admit residents without regard to their race, color, creed, age national origin, handicap, sex, or source of payment.”*

...

*In Conclusion, the current utilization of the 29 ACH beds at Wellington Oaks by underserved individuals is “0” due to the fact that Wellington Oaks is unable to fit any residents in the 29 ACH beds given size restrictions. With the proposed relocation, approximately one-third of the 29 ACH beds will be available to Medicaid/Special Assistance residents, or approximately 9 or 10 beds. This is a ten-fold improvement in accessibility compared to the current number of “0”.* [emphasis in original]

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application adequately demonstrates that:

- the needs of the population currently using the services to be relocated will be adequately met following project completion, and
- the project will not adversely impact the ability of underserved groups to access these services following project completion.

- (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 applicants, Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC, propose to relocate 29 adult care home beds to Guilford House, an existing ACH facility, pursuant to Policy LTC-2, for a total of 89 ACH beds, including 32 SCU beds.

In Section E.2, page 39, the applicants describe the alternatives considered and explain why each alternative is less effective or more costly than the proposed alternative. The alternatives considered were:

- Maintain the Status Quo
- Renovate and Expand Wellington Oaks
- Relocate the Beds and Construct an Addition to Guilford House as Proposed

On page 39, the applicants state that the project as proposed is the most effective alternative for the following reasons:

- Wellington Oaks' occupancy is at practical capacity with the operation of only the 85 SCU beds, and the existing floor plan and room configuration makes it impossible to serve residents in the 29 general ACH beds due to facility size limitations; therefore, maintaining the status quo would be detrimental to ongoing access to adult care home services.
- The advanced age of the Wellington Oaks facility makes renovation and expansion not feasible because upgrading the current Wellington Oaks building to code would be prohibitively expensive and disruptive to current operations at the facility.
- Constructing a new, state-of-the-art addition to Guilford House to house the relocated 29 ACH beds is the most economically feasible alternative to provide a high quality of care to residents and maximize the utilization of the beds.

The applicants adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons:

- the applicants adequately demonstrate the need for the project, as proposed, and provides adequate documentation regarding the development of the proposed project, including all related costs,
- the applicants use reasonable and adequately supported assumptions to project utilization, and
- the data cited is reasonable to support the assumptions made with regard to the most effective alternative for development of the proposed project.

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

- 1. Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC shall materially comply with all representations made in the certificate of need application.**
  - 2. Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC. shall relocate no more than 29 adult care home beds pursuant to Policy LTC-2 for a total of no more than 89 licensed adult care home beds, including 32 Special Care Unit (SCU) beds, upon completion of the project.**
  - 3. Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
  - 4. For the first two years of operation following completion of the project, Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC shall not increase private pay charges more than 5% of the projected private pay charges provided in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
  - 5. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. Payor mix for the services authorized in this certificate of need.**
    - b. Utilization of the services authorized in this certificate of need.**
    - c. Revenues and operating costs for the services authorized in this certificate of need.**
    - d. Average gross revenue per unit of service.**
    - e. Average net revenue per unit of service.**
    - f. Average operating cost per unit of service.**
  - 6. Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of

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

C

The applicants propose to relocate 29 ACH beds from Wellington Oaks to Guilford House, pursuant to Policy LTC-2, for a total of 89 ACH beds, including 32 existing SCU beds at Guilford House, upon completion of the project.

**Capital and Working Capital Costs**

In Section F, the applicants refer to Form F.1a in Section Q for the proposed capital cost. The total capital cost is projected to be as follows:

**Projected Capital Cost**

Site Costs	\$240,000
Construction Costs	\$1,281,875
Miscellaneous Costs	\$925,000
<b>TOTAL CAPITAL COST</b>	<b>\$2,446,875</b>

In Section F.1(b), the applicants refer to Exhibit Q.1 for assumptions and Exhibit Q.2 for worksheets. However, the applicants do not appear to have provided any additional assumptions used to project the capital cost. Exhibit K.1 contains the conceptual site plan with proposed line drawings for the addition, as prepared by Sherman Architecture.

In Section F.3, pages 42-43, the applicants provide the estimated start-up expenses of \$135,500 and the initial operating expenses of \$51,629 for a total working capital of \$189,066.72 [ $\$135,500 + \$51,629 = \$187,129$ ] associated with the project.

**Availability of Funds**

In Section F.2, page 41, the applicants state that they anticipate funding the total project capital costs as shown in the table below.

**Sources of Capital Cost Financing**

Type	Total
Loans	\$2,446,875
Accumulated reserves or OE *	
Bonds (Tax Exempt)	
Other (Specify)	
<b>Total Financing</b>	<b>\$2,446,875</b>

\* OE = Owner's Equity



In Section F.3, page 43, the applicants state that they anticipate funding the working capital costs as shown in the table below.

<b>Type</b>	<b>Total</b>
Loans	<b>\$189,066.72</b>
Accumulated reserves or OE *	
Bonds (Tax Exempt)	
Other (Specify)	
<b>Total Financing</b>	<b>\$189,066.72</b>

\* OE = Owner's Equity

Documentation of the availability of funding is provided in Exhibits F.1 through F.4, including letters dated March 12, 2018 from the Managing Director of Locust Point Capital attesting to its on-going relationship with the applicants and its comfort in funding the capital and working capital cost for the proposed project and the amortization schedules associated with the proposed loans. The applicants adequately demonstrate that sufficient funds will be available for the capital and working capital needs of the proposed project.

### **Financial Feasibility**

The applicants provide pro forma financial statements for the first three full fiscal years following completion of the project on October 1, 2020: FFY2021, FFY2022, and FFY2023. In Form F.5, the applicants project that revenues will exceed operating expenses in the second year of operation following completion of the proposed project for the ACH beds and the total facility, as shown in the table below.

**Guilford House  
Projected ACH and SCU Bed Revenue and Expenses**

	FFY2021			FFY2022			FFY2023		
	Gen ACH	SCU	Total Facility	Gen ACH	SCU	Total Facility	Gen ACH	SCU	Total Facility
Resident Days	13,510	10,950	24,460	18,887	10,950	29,837	19,345	10,950	30,295
Total Gross Revenue (Charges)	\$1,173,648	\$1,231,962	\$2,405,610	\$1,647,408	\$1,235,018	\$2,882,426	\$1,689,408	\$1,235,018	\$2,924,426
Total Net Revenue	\$1,163,672	\$1,221,490	\$2,385,162	\$1,633,405	\$1,224,521	\$2,857,926	\$1,675,048	\$1,224,521	\$2,899,569
Average Net Revenue per Day	\$86	\$112	\$98	\$86	\$112	\$96	\$87	\$112	\$96
Total Operating Expenses (Costs)	\$1,202,461	\$1,192,969	\$2,395,430	\$1,489,372	\$1,092,372	\$2,581,744	\$1,506,949	\$1,086,416	\$2,593,365
Average Operating Expense per Day	\$89	\$109	\$98	\$79	\$100	\$87	\$78	\$99	\$86
<b>Net Income</b>	<b>(\$38,789)</b>	\$28,521	<b>(\$10,268)</b>	\$144,033	\$132,149	\$276,182	\$168,099	\$138,105	\$306,204

As the table above illustrates, the ACH facility is profitable in the second year following completion of the project.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding utilization projections found in Criterion (3) is incorporated herein by reference.

**Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicants adequately demonstrate that the capital costs are based on reasonable and adequately supported assumptions.
- The applicants adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal.

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

C

The applicants propose to relocate 29 ACH beds from Wellington Oaks to Guilford House, pursuant to Policy LTC-2, for a total of 89 ACH beds, including 32 existing SCU beds at Guilford House, upon completion of the project.

On page 211, the 2018 SMFP defines the service area for adult care home beds as:

*“An adult care home bed’s service area is the adult care home planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area.”*

Guilford House is an existing adult care home facility 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.

The 2018 SMFP lists 38 facilities in Guilford County that offer ACH services. Of those facilities, Bell House is shown as closed in the SMFP and the beds at Elm Villa are approved to be relocated to other existing Guilford County facilities and will subsequently close. However, at this time, the 2018 SMFP shows a total of 37 existing facilities in Guilford County that offer ACH services. The table below is a summary of ACH beds in Guilford County. The table is recreated from the 2018 SMFP, Chapter 11, Table 11A, pages 221-222 and Table 11B, page 239. There is a projected surplus of 542 ACH beds in 2021 for Guilford County.

<b>2018 SMFP ACH INVENTORY AND 2021 NEED PROJECTIONS FOR GUILFORD COUNTY</b>	
# ACH Facilities	37
# Beds in ACH Facilities	1,951
# Beds in Nursing Facilities	389
Total Licensed Beds	2,340
# CON Approved Beds (License Pending)	0
Total # Available	2,340
Total # in Planning Inventory	2,327
Projected Bed Utilization Summary	1,785
Projected Bed Surplus (Deficit)	542

Source: 2018 SMFP

In Section G, pages 47-49, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved adult care services in Guilford County. On page 47, the applicants provide a listing of the facilities in Guilford County that provide adult care services, as shown in Table 11A, Chapter 11 of the 2018 SMFP. On page 48, the applicants provide a table based on data provided in the individual facilities' LRAs that shows a county-wide occupancy rate of 62.68% with 29.49% of the resident days being Medicaid/Special Assistance and 70.51% being private pay.

On page 49, the applicants state:

*“The Applicants’ proposed project does not seek to increase [emphasis in original] the number of ACH beds in the Guilford County SMFP inventory. Rather, the Applicants propose to relocate [emphasis in original] already existing ACH beds in the SMFP inventory that are currently not being properly utilized and maximize their utilization. Therefore, no new beds will be added to adult care home bed inventory in the SMFP, and the current surplus of beds in Guilford County will not [emphasis in original] increase. Rather, the Applicants proposed project will seek to better utilize 29 ACH beds that are already part of the Guilford County SMFP inventory.”*[emphasis in original]

The applicants adequately demonstrate that the addition of the Policy LTC-2 beds at Guilford House will not result in an unnecessary duplication of the existing or approved services in Guilford County for the following reasons:

- the applicants adequately demonstrate that the 29 ACH beds are not being utilized at Wellington Oaks because the facility is operating at physical capacity with the 85 SCU beds,
- the applicants adequately demonstrate the need that current and projected assisted living residents at Guilford House have for the 29 relocated Policy LTC-2 beds, and
- the applicants adequately demonstrate that the relocated ACH beds are needed in addition to the existing and/or approved ACH beds.

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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 Q, Form H, page 85, the applicants provide current and projected staffing for the proposed services by full-time equivalent (FTE) position, as summarized in the following table.

**Current and Projected FTE Positions  
 Guilford House**

Staff Position	Current As of 3/8/18	FFY2021	FFY2022	FFY2023
Registered Nurses	0.5	0.3	0.4	0.4
Aides	22.0	25.4	27.2	27.2
Alzheimer's Coordinator	1.0	1.0	1.0	1.0
Staff Development Coordinator	1.0	1.0	1.0	1.0
Clerical	1.0	1.0	1.0	1.0
Dietary	3.0	3.3	3.4	3.4
Activities	0.5	0.5	1.0	1.0
Transportation	1.0	0.9	0.5	0.5
Laundry and Linen	0.5	0.5	0.5	0.5
Housekeeping	2.0	2.6	2.5	2.5
Plant Operation & Maintenance	1.0	1.0	1.0	1.0
Administration	1.0	1.0	1.0	1.0
<b>Total FTE Positions</b>	<b>34.5</b>	<b>38.6</b>	<b>40.5</b>	<b>40.6</b>

Totals may not sum due to rounding

Source: Form H in Section Q of the application

In Section H.1, page 50, the applicants state that the staffing assumptions are provided in Exhibit Q.1. Additional assumptions related to the allocation of salary expense in specific categories are provided in Exhibit Q.2. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in the pro forma financial statements.

In Section H, pages 50-51, the applicants discuss the availability of staff, recruitment methods, and training. In Exhibit H.1, the applicants provide a letter from Bowen Primary and Urgent Care confirming support for the project and intent to continue to provide medical care to the residents of Guilford House.

The applicants adequately demonstrate the availability of adequate health manpower and management personnel for the provision of the proposed services.

**Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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 applicants list the necessary staffing positions to provide the proposed services in Form H, Section Q. In Section I.1, page 52, the applicants state that the facility will coordinate rehabilitative care through existing relationships. In Section I.2(a), page 52, the applicants state that the facility currently works with a number of rehabilitation groups to provide additional care not covered by the facility, including Broad River, Well Care and Kindred Home Care. In Exhibit H.1, the applicants provide a letter from Bowen Primary and Urgent Care confirming support for the project and intent to continue to provide medical care to the residents of Guilford House. The applicants state that Guilford House also works with the Alzheimer's Association of Eastern North Carolina to provide a Caregiver Support Group. See Exhibit I.1. Exhibits C.7 and H.1 contain letters for support from area healthcare providers.

The applicants adequately demonstrate that necessary ancillary and support services are available and that the proposed services will be coordinated with the existing healthcare system.

### Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

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

C

The applicants propose to relocate 29 ACH beds from Wellington Oaks to Guilford House, pursuant to Policy LTC-2, for a total of 89 ACH beds, including 32 existing SCU beds at Guilford House, upon completion of the project.

In Section K, page 54, the applicants state that the project involves the addition of 10,255 square feet of new construction. Line drawings of the existing facility and the proposed expansion, prepared by Sherman Architecture, are provided in Exhibit K.1.

On pages 54-55, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal. The proposed capital costs including construction costs are provided by the applicant in Sections F and Q of the application.

In Section K.3, pages 54-55, the applicants state that the project will not unduly increase the costs of providing adult care services because the proposed construction of an addition at Guilford House is significantly less expensive than the other alternatives for utilizing the 29 beds, is of reasonable size, and will be energy efficient. Based on information provided in Section Q, the 29 beds will add adult care bed capacity at Guilford House, which will thereby improve the cost efficiency of providing adult care services; and the project will not increase charges or reimbursement for services for residents at Guilford House.

On page 55, the applicants identify any applicable energy saving features that will be incorporated into the construction plans.

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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;

### C

In Section L.1(c), page 59, the applicants provide the historical payor mix during FFY2017 for the ACH SCU beds at Wellington Oaks, as summarized below.



**Wellington Oaks  
 ACH SCU Beds Payor Mix  
 FFY2017**

	<b>Percent of Total Days</b>
Private Pay	16.1%
County Assistance	83.9%

Guilford House’s 2018 LRA shows the following payor mix for the operating period as reported from August 2016 through July 2017.

**Guilford House  
 ACH Beds Payor Mix  
 August 1, 2016 – July 31, 2017**

	<b>Number of Bed Days</b>	<b>Percent of Total Days</b>
Private Pay	3,627	16.0%
County Assistance	19,103	84.0%

In Section L.1(a), page 58, the applicants provide the following comparison.

**Guilford House  
 Last Full FFY**

	<b>Percent of Total Patients Served</b>	<b>Percent of SA Population</b>
Female	71.0%	52.6%
Male	29.0%	47.4%
64 and Younger	5.0%	85.6%
65 and Older	95.0%	14.4%
Black or African-American	9.0%	34.6%
White or Caucasian	89.0%	57.4%
Other Race	2.0%	8.0%

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application documents 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. 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

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 59, the applicants state they have no obligation to provide such care.

In Section L.2(d), page 59, the applicants state that no civil rights access complaints have been filed against Guilford House and/or any similar facilities owned by a related entity in North Carolina in the last five year.

The agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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 L.3, page 60, the applicants provide data showing the following projected payor mix in the third year of operation, FFY2023.

**Guilford House  
ACH Beds Payor Mix  
FFY2023**

	<b>General ACH Beds</b>	<b>SCU Beds</b>
Private Pay	67.9%	50.0%
County Assistance	32.1%	50.0%
Total	100.0%	100.0%

As shown in the table above, the applicants project that the payor mix for its general ACH beds will be 67.9% private pay and 32.1% county assistance. The payor mix for the SCU beds is projected to be 50/50 private pay/county assistance. The applicants state that the assumptions related to payor mix are provided in Exhibits Q.1 and Q.2.

The projected payor mix is reasonable and adequately supported for the following reasons:

- the applicants state that the average Guilford County ACH payor mix includes 29.49% special assistance and 70.51% private pay (Section G.2, page 48),
- the applicants propose to serve approximately 31.6% of the 29 relocated beds through county assistance (page 26 of application), and
- the applicants propose serving 9 to 10 more residents through county assistance than are currently being served in the 29 beds to be relocated.

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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 L.5, page 60, the applicants adequately describe the range of means by which patients will have access to Guilford House adult care beds.

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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 M.1, page 61, the applicants describe the extent to which area health professional training programs will have access to the facility for training purposes. Supporting documentation is provided in Exhibits M.1 and M.2, which contain a letter from a former intern who trained at Guilford House and documentation of training programs held for Guilford House by Affinity Living Group, respectively.

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the 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 applicants propose to relocate 29 ACH beds from Wellington Oaks to Guilford House, pursuant to Policy LTC-2, for a total of 89 ACH beds, including 32 existing SCU beds at Guilford House, upon completion of the project.

On page 211, the 2018 SMFP defines the service area for adult care home beds as:

“An adult care home bed’s service area is the adult care home planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area.” [emphasis in original]

Guilford House is an existing adult care home facility 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.

The 2018 SMFP lists 38 facilities in Guilford County that offer ACH services. Of those facilities, Bell House is shown as closed in the SMFP and the beds at Elm Villa are approved to be relocated to other existing Guilford County facilities and will subsequently close. However, at this time, the 2018 SMFP shows a total of 37 existing facilities in Guilford County that offer ACH services. The table below is a summary of ACH beds in Guilford County. The table is recreated from the 2018 SMFP, Chapter 11, Table 11A, pages 221-222 and Table 11B, page 239. There is a projected surplus of 542 ACH beds in 2021 for Guilford County.

<b>2018 SMFP ACH INVENTORY AND 2021 NEED PROJECTIONS FOR GUILFORD COUNTY</b>	
# ACH Facilities	37
# Beds in ACH Facilities	1,951
# Beds in Nursing Facilities	389
Total Licensed Beds	2,340
# CON Approved Beds (License Pending)	0
Total # Available	2,340
Total # in Planning Inventory	2,327
Projected Bed Utilization Summary	1,785
Projected Bed Surplus (Deficit)	542

Source: 2018 SMFP

In Section N, page 62, the applicants describe the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition will promote the cost-effectiveness, quality and access to the proposed services. The applicants state:

“The proposed project will have a positive effect on competition in the area, as the demand for these 29 ACH beds may encourage other facilities with poor utilization in Guilford County to improve their current situations in order to compete with the expansion of the proposed project.” [emphasis in original]

On page 62, the applicants list numerous ways that they believe the bed addition will enhance cost effectiveness and quality of care, including building the addition to the highest standards, an increased budget to provide more services, and admission of residents who seek homelike care at lower costs. The applicant also addresses access, stating:

*“Access to additional ACH beds at Guilford House (29 ACH beds), coupled with the continued access for Medicaid and Special Assistance residents (approximately 1/3 of the 29 ACH beds will be reserved for Medicaid/Special Assistance), will allow admission of residents who seek homelike care at lower costs.”*

The applicants adequately describe the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- the cost-effectiveness of the proposal (see Sections F and Q),
- quality services will be provided (see Section O of the application and any exhibits), and
- access will be provided to underserved groups (see Section L of the application and any exhibits).

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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 Exhibit O.3, pages 144-149, the applicants list 80 North Carolina ACH facilities owned, operated, or managed by a related entity, showing Type A and B violations and penalties received during the 18 months immediately preceding the submittal of the application. In Section O.3(b)(ii), page 65, the applicants state:

*“All violations received by said facilities have been resolved successfully with DHSR. It is the Applicants and the management company’s (Affinity Living Group) foremost goal and intent to comply with any [sic] all licensure requirements imposed by DHSR.”*

According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in ?? of the 80 related facilities. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at Guilford House, 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

The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100 do not apply to this review because the applicants are not proposing to develop new adult care home beds.