

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: March 29, 2018

Findings Date: April 6, 2018

Project Analyst: Jane Rhoe-Jones

Team Leader: Fatimah Wilson

Project ID #: G-11430-17

Facility: Priddy Manor Assisted Living

FID #: 030406

County: Stokes

Applicant: Priddy Manor Assisted Living, LLC

Project: Acquire and relocate nine existing adult care home beds from Walnut Cove Health and Rehabilitation Center to Priddy Manor Assisted Living for a total of no more than 79 adult care home beds upon project completion

### 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

The applicant, Priddy Manor Assisted Living, LLC, proposes to acquire and relocate nine existing adult care home (ACH) beds from Walnut Cove Health and Rehabilitation Center, located at 511 Windmill Street in Walnut Cove (Stokes County) to an existing facility, Priddy Manor Assisted Living (PMAL), located at 1294 Priddy Road in King (Stokes County).

Table 11A in Chapter 11 of the 2017 State Medical Facilities Plan (SMFP) lists Walnut Cove Health and Rehabilitation Center as having nine ACH beds and Priddy Manor Assisted Living as having 70 ACH beds in the inventory of Stokes County ACH beds. Therefore, following completion of the project, Walnut Cove Health and Rehabilitation Center will no longer be

licensed for any ACH beds and Priddy Manor Assisted Living will be licensed for 79 ACH beds. Priddy Manor Assisted Living also operates a 24-bed special care unit (SCU) as part of its 70-bed ACH facility. The applicant is not proposing any additional SCU beds in this application.

### **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 2017 SMFP. Therefore, there are no need determinations applicable to this review.

### **Policies**

There is one policy in the 2017 SMFP that is applicable to this review: *Policy LTC-2: Relocation of Adult Care Home Beds.*

**Policy LTC-2: Relocation of Adult Care Home Beds** states:

*“Relocations of existing licensed adult care home beds are allowed only within the host county and to contiguous counties. Certificate of need applicant proposing to relocate licensed adult care home beds to contiguous counties shall:*

- 1. Demonstrate that the facility losing beds or moving to a continuous county is currently serving residents of that contiguous county; and*
- 2. Demonstrate that the proposal shall not result in a deficit, or increase and 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 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 Facilities Plan in effect at the time the certificate of need review begins.”*

In Section III.4, page 15, the applicant explains why it believes its application is conforming to Policy LTC-2. On page 15, the applicant states,

*“... Because this application proposes to relocate beds within the same county, it is consistent with Policy LTC-2.”*

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion because the application is consistent with Policy LTC-2.

- (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, Priddy Manor Assisted Living, LLC, proposes to acquire and relocate nine existing ACH beds from Walnut Cove Health and Rehabilitation Center in Walnut Cove (Stokes County), to be developed in an existing facility, Priddy Manor Assisted Living, in King (Stokes County) for a total of 79 ACH beds upon project completion. The applicant proposes to construct a new 6,325 square foot addition to the facility to accommodate the nine additional beds. In Section I.11, the applicant states that the parent company for Priddy Manor Assisted Living is Priddy Manor Assisted Living, LLC. Also, the applicant states Ridge Care will continue to provide management services to the facility upon project completion.

### **Patient Origin**

On page 219, the 2017 SMFP defines the service area for ACH beds as, “*the adult care home bed planning area in which the bed is located.*” Thus, the service area for this project consists of Stokes County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin as provided in supplemental information to the Agency on March 12, 2018. In Section III.7(b), page 17, the applicant provides the same projected patient origin for Priddy Manor Assisted Living, and states,

*“The Applicant believes the patient origin for the 9 additional beds will reflect the patient origin currently experienced by Priddy Manor. As such, the patient origin is projected to be the same as it is currently at Priddy Manor.”*

Current (July 2016-June 2017) & Projected Patient Origin (July 2020-June 2021)	
County	Percentage of ACH Residents
Stokes	55%
Forsyth	25%
Surry	20%
Total	100%

On page 17 and in supplemental information provided to the Agency on March 12, 2018, the applicant provides the assumption and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

In Section III.1, page 14, the applicant discusses the need for the project. In supplemental information the applicant submitted to the Agency on March 12, 2018, the applicant describes the factors which it states support the need for the nine ACH beds, as below summarized:

- Despite the surplus of ACH beds in Stokes County, the applicant states that according to License Renewal Applications (LRAs) and Priddy Manor in-house data, the licensed ACHs in Stokes County had an average occupancy of 94%. During the 12 months preceding submittal of this application, Priddy Manor had an occupancy of 98.4%. This applicant states that occupancies of this magnitude justify the need to keep the nine ACH beds operational, but relocate them to Priddy Manor Assisted Living.
- In supplemental information submitted to the Agency on March 12, 2018, the applicant discusses population and beds by census tract. The following tables show that once the nine beds are moved from Walnut Cove to Priddy Manor, population per bed will improve for both census tracts, Priddy Manor (705.03) and Walnut Cove (707.00). The census tract for Priddy Manor is projected to have a population per bed of 105 versus current population per bed of 125; while Walnut Cove is projected to have a population per bed of 90 versus a population per bed of 79.

Current Population and ACH Beds by Census Tract			
Census Tract	Tract Population	# ACH Beds	Population per Bed
705.03	5,769	46	125
707.00	5,688	72	79

Projected Population and Proposed ACH Beds by Census Tract			
Census Tract	Tract Population	# ACH Beds	Population per Bed
705.03	5,769	55	105

707.00	5,688	*63	107
--------	-------	-----	-----

\*The applicant states 53; which project analyst determines as a typographical error.

The applicant states, *“As shown in the tables above, the population per bed in Priddy Manor’s census tract is ... more than that of Walnut Cove’s census tract. This inequity limits the ability of census tract 705.03 residents to find nearby assisted living accommodations. By moving the 9 beds from Walnut Cove to Priddy Manor, the population per bed ratios become practically equivalent providing more equal opportunity amongst both populations.”*

The applicant further states, *“... the relocation of the beds will have a positive impact on the ability of Stokes County residents to obtain the same services in the future. The location of the former/current site is in a census tract that has a higher population to bed ratio as the proposed site’s census tract. Stokes County residents near the current site will not be losing access to beds, as Walnut Ridge Assisted Living is next door to Walnut Cove. However, the current population to bed ratio inequity problem between these two parts of Stokes County will be resolved, leading to more access overall to the county’s population.”*

The information is reasonable and adequately supported for the following reasons:

- Current Stokes County ACH occupancy rates provided in supplemental information to the Agency on March 12, 2018, page 2, show that the existing ACH beds in the county are well utilized.
- According to the 2017, 2016 and 2015 LRAs the occupancy rate at Priddy Manor was 88.6%, 94.3% and 97.1%, respectively. (2017, 2016, 2015 LRAs)
- According to the 2015, 2016 and 2017 LRAs, the occupancy rate at Walnut Cove Health and Rehabilitation declined each year and was 77.7%, 55.6% and 33.3%, respectively. (2015, 2016, 2017 LRAs)
- Walnut Cove is phasing out its nine ACH beds (two beds were still occupied at the time this application was submitted) to utilize those beds for skilled nursing beds. (Section III.1(b), page 14 and supplemental information submitted to the Agency on March 12, 2018, page 1)
- Census data provided in supplemental information to the Agency on March 12, 2018 (pages 2 and 3) show that relocation of the beds from Walnut Cove to Priddy Manor would provide a more equal distribution of beds by census tract.

*Projected Utilization*

See the table below for historical utilization as submitted by the applicant in supplemental information on March 12, 2018 regarding historical utilization at Priddy Manor.

<b>PRIDDY MANOR ASSISTED LIVING</b>	
<b>HISTORICAL UTILIZATION</b>	
<b>JULY 1, 2016-JUNE 30, 2017</b>	
<b>ACH</b> (excluding SCU)	

Patient Days	<b>16,521</b>
Occupancy Rate	98%
Number of Beds	46
<b>SCU</b>	
Patient Days	7,958
Occupancy Rate	91%
Number of Beds	24
<b>Total Facility</b>	
Patient Days	<b>21,179</b>
Occupancy Rate	96%
Number of Beds	70

In Section IV.2, pages 18-19, the applicant provides projected utilization for the first two operating years, as shown below in the table:

PRIDDY MANOR ASSISTED LIVING PROJECTED UTILIZATION PY1 AND PY2		
	1 <sup>ST</sup> FULL YEAR FFY2020	2 <sup>ND</sup> FULL YEAR FFY2021
<b>ACH (excluding SCU)</b>		
Patient Days	18,615	18,615
Occupancy Rate	92.73%	92.73%
Number of Beds	55	55
<b>SCU</b>		
Patient Days	8,395	8,395
Occupancy Rate	95.83%	95.83%
Number of Beds	24	24
<b>Total Facility</b>		
Patient Days	27,010	27,010
Occupancy Rate	93.67%	93.67%
Number of Beds	79	79

As shown in the table above, the applicant projects that the 55 ACH beds (those not in the SCU) will operate at 92.7% of capacity [(18,615 days / 365 days per year) / 55 beds = 0.927] in the second year of operation of the proposed project.

In Section IV.3, page 19, the applicant provides the assumptions used to project utilization, which is summarized below.

- *“Open the new addition at capacity.*
- *Five people on a wait list for immediate move-in.*
- *Priddy Manor historically has a very high census, being at capacity and having to refer potential residents elsewhere.*
- *The current administrator and the Applicant believe that if potential residents are not turned away in anticipation of the new wing opening, there will be such a wait list.*
- *After the addition opens, occupancy is expected to remain consistent indefinitely due to the natural ebb and flow of resident census.”*

- In supplemental information submitted to the Agency on March 12, 2018, the applicant states, “*If those two residents [currently at Walnut Cove] do not find other accommodations prior to the proposed addition being completed, [sic] applicant will accommodate them in Priddy Manor. If space is available, the [sic] Ridge Care (the management company for Priddy Manor) can also house these residents at Walnut Ridge Assisted Living, which neighbors Walnut Cove.*”

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

- The applicant bases projected utilization upon historical data and the applicant’s experience in providing the proposed service, and
- the applicant applies reasonable growth assumptions.

Access

In Section VI.3, page 22, the applicant states,

*“The facility will allow admission into the facility only on the written order of a physician. Persons whose health, habilitative, or rehabilitative needs cannot be met by the services offered by the facility will not be admitted. Otherwise, as long as beds are available in appropriate rooms: all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, or sex; and all routine and specialized services are available to persons regardless of their race, color, creed, age, national origin, handicap, sex or source of payment.”*

In Section VI.2, page 21, the applicant states that 15.7% of ACH patient days will be provided to Medicaid patients and 84.3% of ACH patient days will be provided to private pay patients in the second operating year (FFY2021), as illustrated in the following table.

PRIDDY MANOR ASSISTED LIVING FY2021		
Payor Source	Entire Facility or Campus	ACH (Service Component)
Self-Pay/Private Pay	87.8%	84.3%
Medicaid (Special Assistance)	12.2%	15.7%
<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

- Supplemental information requested by the Agency
- 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 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.
  - The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payer 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

Pursuant to *Policy LTC-2: Relocation of Adult Care Home Beds* of the 2017 SMFP the applicants propose to acquire and relocate nine ACH beds from Walnut Cove Health and Rehabilitation Center to Priddy Manor Assisted Living and construct a nine-bed addition at the Priddy Manor Assisted Living facility for a total of 79 ACH beds (includes 24 SCU beds) at Priddy Manor Assisted Living upon project completion.

According to Google Maps, the two facilities are approximately 18 miles and 27 minutes or 26 miles and 38 minutes driving time from each other (depending on the route). Therefore, following the proposed relocation, the beds will be available to the same Stokes County population currently served. In Section IV.1, page 18, the applicant states that the nine ACH beds at Walnut Cove Health and Rehabilitation Center are not occupied and is unable to obtain historical utilization. However, in supplemental information provided to the Agency on March 12, 2018, the applicant states that two of the nine ACH beds at Walnut Cove Health and Rehabilitation are still occupied. The applicant states the following in supplemental information submitted to the Agency on March 12, 2019:

*“If those two residents do not find other accommodations prior to the proposed addition being completed, [sic] applicant will accommodate them in Priddy Manor. If space is available, [sic] Ridge Care (the management company for Priddy Manor) can also house these residents at Walnut Ridge Assisted Living, which neighbors Walnut Cove.”*

Furthermore, in Section VI.5, page 23, the applicant states,

*“The Applicant proposes to move beds that are in a skilled nursing facility to an existing adult care home that is often full and must refer potential residents to other facilities as a result. Adding the nine beds would allow Priddy Manor to better accommodate area residents who are in search for adult care services. Potential residents will not be discriminated against with regard to their age, racial background, ethnic background, gender, handicap, sex, or medical diagnosis.”*

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- Information publicly available during the review and used by the Agency

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

- The existing and proposed facilities are all in the same county and will thus provide the same level of access to patients.
- The needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion.
- 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 applicant, Priddy Manor Assisted Living, LLC, proposes to acquire and relocate nine existing ACH beds from Walnut Cove Health and Rehabilitation Center to Priddy Manor Assisted Living for a total of 79 ACH beds upon project completion.

In Section III.3, page 15, the applicant describes the alternative it considered and explains why the alternative proposed in this application is chosen to meet the need. The alternative considered was to build a new building to house the nine beds proposed to be relocated from Walnut Cove Health and Rehabilitation Center.

On page 15, the applicant states that its proposal is the most effective alternative. The applicant states,

*“Because building a new facility to house only nine beds is not a viable option, only one other option was considered: to build a new independent living facility with adult care home beds. This option would allow residents to age in place. However this option was not chosen because nine beds would not be enough to experience economies of scale with regard to staff, even though it would with regard to other facility costs.”*

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

- The alternative would allow the ACH residents to age in place.
- The economies of scale related to staffing at an existing ACH facility with more beds and staff specifically to care for ACH patients.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.
- Supplemental information requested 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 approved subject to the following conditions:

- 1. Priddy Manor Assisted Living, LLC shall materially comply with all representations made in the certificate of need application and any supplemental responses. In the event that representations conflict, Priddy Manor Assisted Living, LLC shall materially comply with the last made representation.**
- 2. Priddy Manor Assisted Living, LLC shall relocate no more than nine adult care home beds from Walnut Cove Health and Rehabilitation Center to Priddy Manor Assisted Living.**
- 3. Upon completion of the project, Priddy Manor Assisted Living shall be licensed for no more than 79 ACH beds which includes 24 existing SCU beds.**
- 4. Priddy Manor Assisted Living, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**

5. Priddy Manor Assisted Living, LLC shall provide written documentation that the proposed health services have been offered to accommodate the clinical needs of health professional training programs in the area.
  6. For the first two years of operation following completion of the project, Priddy Manor Assisted Living, LLC shall not increase private pay charges more than 5% of the projected private pay charges provided in Section IX 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.
  7. 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, Priddy Manor Assisted Living, 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.
  8. Priddy Manor Assisted Living, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency 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, Priddy Manor Assisted Living, LLC, proposes to acquire and relocate nine existing ACH beds from Walnut Cove Health and Rehabilitation Center to Priddy Manor Assisted Living for a total of 79 ACH beds upon project completion.

**Capital and Working Capital Costs**

In Section VIII.1, page 28, the applicant projects the total capital cost of the project as shown below in the table.

<b>PRIDDY MANOR ASSISTED LIVING Project Capital Cost</b>	
Site Costs	\$36,500
Construction Costs	\$1,500,000
Miscellaneous Costs	\$416,940
<b>Total</b>	<b>\$1,953,440</b>

In Exhibit 9, the applicant provides a certified construction estimate to project capital cost. See Exhibit 11 of the application for the assumptions used regarding costs and charges as stated in Section XII of the application.

The applicant projects no start-up costs or initial operating expenses because Priddy Manor Assisted Living is an existing operational facility. Thus, there are no working capital needs for the project.

**Financial Feasibility**

The applicant provides pro forma financial statements for the first two full fiscal years of operation following completion of the project. In Form B, the applicant projects that revenues will exceed operating expenses in the first two operating years of the project, as shown below in the table.

<b>PRIDDY MANOR ASSISTED LIVING Projected Revenue and Expenses</b>		
<b>ACH</b>	<b>First Full FFY2020</b>	<b>Second Full FFY2021</b>
Total Patient Days	18,615	18,615
Total Net Revenue	\$2,141,448	\$2,239,448
Average Net Revenue Per Patient Day	\$115.04	\$120.30
Total Operating Expenses	\$1,282,164	\$1,318,902
Average Operating Expense per Patient Day	\$68.88	\$70.85

<b>Net Income (Loss)</b>	<b>\$859,284</b>	<b>\$920,546</b>
<b>SCU</b>		
	<b>First Full FFY2020</b>	<b>Second Full FFY2021</b>
Total Patient Days	8,395	8,395
Total Net Revenue	\$1,232,280	\$1,292,274
Average Net Revenue Per Patient Day	\$146.79	\$153.93
Total Operating Expenses	\$801,435	\$827,281
Average Operating Expense per Patient Day	\$95.47	\$98.54
<b>Net Income (Loss)</b>	<b>\$430,845</b>	<b>\$464,993</b>
<b>TOTAL ACH FACILITY</b>		
	<b>First Full FFY2020</b>	<b>Second Full FFY2021</b>
Total Patient Days	27,010	27,010
Total Net Revenue	\$3,373,728	\$3,531,722
Average Net Revenue Per Patient Day	\$124.91	\$130.76
Total Operating Expenses	\$2,083,599	\$2,146,183
Average Operating Expense per Patient Day	\$77.14	\$79.46
<b>Net Income (Loss)</b>	<b>\$1,290,129</b>	<b>\$1,385,539</b>

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Exhibit 11 of the application for the assumptions used regarding costs and charges as stated in Section XII of the application. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

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

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

- (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, Priddy Manor Assisted Living, LLC, proposes to acquire and relocate nine existing ACH beds from Walnut Cove Health and Rehabilitation Center to Priddy Manor Assisted Living for a total of 79 ACH beds upon project completion.

On page 219, the 2017 SMFP defines the service area for ACH beds as “*the adult care home bed planning area in which the bed is located.*” Thus, the service area for this project consists of Stokes County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2017 SMFP indicates that there are currently a total of nine facilities in Stokes County with licensed ACH beds. The table below is a summary of those facilities in Stokes County, from Chapter 11, Table 11A and Table 11B. There is a projected surplus of 103 ACH beds in 2020 for Stokes County.

2017 ACH INVENTORY AND 2020 ACH NEED PROJECTIONS STOKES COUNTY	
# ACH Facilities	9
# Beds in ACH Facilities	247
# Beds in Nursing Facilities	53
Total Licensed Beds	300
# CON Approved Beds (License Pending)	0
Total # Available	300
Total # in Planning Inventory	300
Projected Bed Utilization Summary	197
Projected Bed Surplus (Deficit)	103

The applicant does not propose to develop new ACH beds, but rather to relocate nine existing ACH beds, currently located at Walnut Cove Health and Rehabilitation Center, to a new addition to an existing facility in King. There will be no increase in the inventory of ACH beds or the number of ACH facilities in Stokes County. In supplemental information submitted to the Agency on March 12, 2018, the applicant states:

*“The applicant believes there is a continued need for all the adult care beds allocated to Stokes County despite the surplus indicated in the State Medical Facilities Plan. According to the license renewal applications and data available directly from Priddy Manor, the regular adult care home beds (excluding special care unit beds) licensed in adult care homes in Stokes County have an average of 94% occupancy. Priddy Manor, in particular, experienced a 98.4% occupancy during the 12 months leading up to this application. The adult care home bed utilization evidences the need to keep these beds in operation.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- The proposal is consistent with *Policy LTC-2: Relocation of Adult Care Home Beds*
- The applicant adequately demonstrates the need the facility has for nine additional ACH beds

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency (if applicable)
- 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 above stated reasons.

- (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 supplemental information received by the Agency on March 12, 2018, the applicant submitted the current staffing at Priddy Manor, and in Section VII.2, page 25, the applicant provides projected staffing for Priddy Manor Assisted Living in the second operating year (FY2021), as illustrated in the following table. In Section VII.4, page 26, the applicant states that current Priddy Manor staff are expected to continue working at the facility, including the current facility medical director (via a contractual arrangement).

<b>PRIDDY MANOR ASSISTED LIVING Current and Proposed ACH Staffing*</b>		
<b>Position</b>	<b>Current FTE Positions July 1, 2016- June 30, 2017</b>	<b>FY 2021 FTE Positions</b>
Supervisor	4.50	4.50
Nurse	1.00	1.00

Personal Care Aide	11.00	11.00
Food Service Supervisor	0.75	0.75
Cook	1.50	1.50
Dietary Aide	1.50	1.50
Activity Director	1.50	1.50
Housekeeping Supervisor	0.50	0.50
Housekeeping Aides	1.50	1.50
Maintenance Supervisor	1.00	1.00
Administrator	0.50	0.50
Administrative Secretary	0.50	0.50
Admissions Coordinator	0.50	0.50
<b>TOTAL</b>	<b>26.25</b>	<b>26.25</b>

\*Excludes SCU

The assumptions and methodology used to project staffing are provided in the pro formas in Exhibit 11. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form C which is found in Section XII. In Section II, page 9-11, the applicant describes its training and continuing education programs for its direct care staff. Also, in supplemental information submitted to the Agency on March 12, 2018, the applicant identifies the medical director. In supplemental information submitted to the Agency on March 12, 2018, the applicant provides a letter from the current medical director indicating an interest in serving as medical director for the proposed services.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency (if applicable)

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section II.1, pages 9-12, the applicant states that the following ancillary and support services are necessary for the proposed services:

- Beauty and barber services
- Community volunteer services
- Dental services
- Dietary services
- Family support groups
- Medication administration
- Occupational, physical and speech therapies
- Personal care services
- Physician services
- Recreational activities
- Respite care
- Transportation services

On pages 9-12, the applicant adequately explains how each ancillary and support service is available and on page 9 states that Priddy Manor Assisted Living provides a comprehensive range of care services to its residents, and will operate in accordance with T10A NCAC 13B and 13F: “Rules for the Licensing of Adult Care Homes,” and North Carolina G.S. § Chapter 131D: “Inspection and Licensing of Facilities.”

In Section V, page 20, the applicant describes its existing relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- 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.

- (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.

- (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

In Section X, page 37, and in supplemental information received by the Agency on March 12, 2018, the applicant states that the project involves constructing 6,325 square feet of new space. Line drawings are provided in Exhibit 8 and in supplemental information submitted to the Agency on March 19, 2018.

On page 37, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibit 9.

On page 37, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit 9.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- 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.

- (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 VI.1, page 21, the applicant states that there is no historical payor mix for the nine ACH beds it proposes to relocate from Walnut Cove Health and Rehabilitation Center to Priddy Manor Assisted Living. However, there is historical payor mix information available for Priddy Manor Assisted Living. In supplemental information submitted to the Agency on March 12, 2018, the applicant provides the historical payor mix for the period of July 1, 2016 - June 30, 2017 for the facility as shown below in the table.

<b>PRIDDY MANOR ASSISTED LIVING</b>	
<b>Payor Category</b>	<b>ACH* Services as Percent of Total</b>
Private Pay	24.2%
Semi-private	59.7%
Medicaid Special Assistance (semi-private)	15.9%
<b>Total</b>	<b>100.0%</b>

\*Excluding SCU. Table may not foot due to rounding.

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**
2016 Estimate	2016 Estimate	2016 Estimate	2016 Estimate	2015 Estimate	2011-2015	2015 Estimate
Stokes	20%	51%	9%	15%	11%	13%
Statewide	16%	51%	37%	16%	10%	13%

Source: <http://www.census.gov/quickfacts/table> Latest Data 7/1/16 as of 8/22/17

\*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., V2016) refers to the final year of the series (2010 thru 2016). Different vintage years of estimates are not comparable."

However, a direct comparison to the applicant's 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 information in the application, including any exhibits, is reasonable and adequately supported because the applicant's historical payor mix is adequate documentation of the extent to which medically underserved populations utilize the applicant's existing services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the applicant adequately 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 providing uncompensated care, community service or access by minorities and persons with disabilities, in Section VI, page 22, the applicant states,

*“... as long as beds are available in appropriate rooms: all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, or sex; and all routine and specialized services are available to persons regardless of their race, color, creed, age, national origin, handicap, sex, or source of payment.”*

In Section VI.4(a), page 23, the applicant states that to its knowledge, during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency (if applicable)
- 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 VI.2, page 21, the applicant projects the following payor mix for the proposed ACH services during the second full fiscal year of operation following completion of the project, as shown below in the table.

<b>PRIDDY MANOR ASSISTED LIVING Projected Payor Mix - FY2021</b>	
<b>Payor Category</b>	<b>ACH Percent of Patient Days</b>
Private Pay	84.3%
Special Assistance - Medicaid	15.7%
<b>Total</b>	<b>100.0%</b>

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 84.3% of total services will be provided to self-pay patients, and 15.7% to Medicaid patients.

In supplemental information submitted to the Agency on March 12, 2018, the applicant provides the assumptions used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because the applicant has based it on the current payor mix at Priddy Manor Assisted Living.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- 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 V.4, page 20, the applicant describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- 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.

### CA

In Section V.1, page 20, the applicant states that it has no official agreements with health professional training programs. See Criterion (4), Condition 5 where the applicant is being conditioned to demonstrate that the proposed health services have been offered to accommodate the clinical needs of health professional training programs in the area.

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion if Criterion (4), Condition 5 is met.

- (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, Priddy Manor Assisted Living, LLC, proposes to acquire and relocate nine existing ACH beds from Walnut Cove Health and Rehabilitation Center to Priddy Manor Assisted Living for a total of 79 ACH beds upon project completion.

On page 219, the 2017 SMFP defines the service area for ACH beds as “*the adult care home bed planning area in which the bed is located.*” Thus, the service area for this project consists of Stokes County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2017 SMFP indicates that there are currently a total of nine facilities in Stokes County with licensed ACH beds. The table below is a summary of those facilities in Stokes County, from Chapter 11, Table 11A and Table 11B. There is a projected surplus of 103 ACH beds in 2020 for Stokes County.

2017 ACH INVENTORY AND 2020 NEED PROJECTIONS FOR STOKES COUNTY	
# ACH Facilities	9
# Beds in ACH Facilities	247

# Beds in Nursing Facilities	53
Total Licensed Beds	300
# CON Approved Beds (License Pending)	0
Total # Available	300
Total # in Planning Inventory	300
Projected Bed Utilization Summary	197
Projected Bed Surplus (Deficit)	103

The applicant does not propose to develop new ACH beds, but rather to relocate nine existing ACH beds, currently located at Walnut Cove Health and Rehabilitation Center, to a new addition to an existing facility in King. Although there is a surplus of ACH beds in Stokes County, the applicant's acquisition and relocation of the nine beds from Walnut Cove Health and Rehabilitation Center will not result in an increase in the inventory of ACH beds or the number of ACH facilities in the county. The applicant adequately demonstrates the need to relocate the nine beds despite a surplus of ACH beds in Stokes County.

In Section VI.5 page 23, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote cost-effectiveness, quality and access to the proposed services. The applicant states:

*“The Applicant proposes to move beds that are in a skilled nursing facility to an existing adult care home that is often full and must refer potential residents to other facilities a result. Adding the nine beds would allow Priddy Manor to better accommodate area residents who are in search for adult care services. Potential residents will not be discriminated against with regard to their age, racial background, ethnic background, gender, handicap, sex, or medical diagnosis.”*

The applicant adequately demonstrates:

- The cost-effectiveness of the proposal (see Sections X and XII of the application and Exhibit 11)
- Quality services will be provided (see Section II of the application and Criterion (20) in these findings)
- Access will be provided to underserved groups (see Section VI of the application and supplemental information submitted to the Agency on March 12, 2018).

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- 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.

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

C

In Section II.3(a), page 13, the applicant identifies the ACHs located in North Carolina owned, operated or managed by Ridge Care, a related entity of the parent company of Priddy Manor Assisted Living. The applicant identifies a total of nine ACHs located in North Carolina.

In Section II.3, page 13, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in one of these facilities. The applicant states that the facility complied with the plan of correction.

Also, 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 the facility stated by the applicant. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all nine facilities, the applicant provides sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

C

The application is conforming with The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services promulgated in 10A NCAC 14C .1100, as described below:

***SECTION .1100 – CRITERIA AND STANDARDS FOR NURSING FACILITY OR ADULT CARE HOME SERVICES***

**10A NCAC 14C .1102            PERFORMANCE STANDARDS**

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

**-NA-** The applicant is not proposing to add nursing facility beds to an existing facility.

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

**-NA-** The applicant is not proposing to establish a new nursing facility or add nursing facility beds to an existing facility.

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

**-C-** The applicant states in supplemental information submitted to the Agency on March 12, 2018, that the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within Priddy Manor Assisted Living, the facility in which the new beds are to be operated, was at least 85 percent.

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

**-C-** In Section IV.2, page 18, the applicant projects the proposed 79-bed facility will operate at an average occupancy rate of 93.7 percent for the entire facility (including the SCU) and 92.7 percent for the 55-bed ACH facility only in the second operating year. The applicant describes its assumptions and methodology for projecting utilization in Section IV.3, page 19.

