

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: May 8, 2018

Findings Date: May 8, 2018

Project Analyst: Bernetta Thorne-Williams

Assistant Chief: Lisa Pittman

Project ID #: E-11453-18

Facility: Grace Village

FID #: 170469

County: Caldwell

Applicants: Spartan Holdings, LLC
Grace Village, Inc.

Project: Relocate 18 existing adult care home beds from Gateway Rehabilitation and Healthcare to Grace Village following completion of this project and Project I.D. # E-11429-17 (develop a new adult care home and relocate 60 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

The applicants, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village propose to relocate 18 existing adult care home (ACH) beds from Gateway Rehabilitation and Healthcare to Grace Village for a total of 78 ACH beds upon completion of this project and Project I.D. # E-11429-17 (develop a new ACH by relocating 60 existing ACH beds from Carolina Oaks Enhanced Care Center to Grace Village). Gateway Rehabilitation and Healthcare is a 100-bed licensed nursing home with 18 ACH beds located at 2030 Harper Ave NW (Lenoir). Grace Village will be located at New Farm Road, near the intersection of River Bend Drive, in Granite Falls (Caldwell County).

Table 11A of Chapter 11 of the 2018 State Medical Facilities Plan (SMFP) lists Gateway Rehabilitation and Healthcare with 18 ACH beds in the inventory of Caldwell County ACH beds. Therefore, following completion of the this project, Gateway Rehabilitation and Healthcare will no longer be licensed for any ACH beds, however, they will continue to be licensed for 100 NH 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

Policy LTC-2: Relocation of Adult Care Home Beds and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities are applicable to this review.

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 applicants 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 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 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.”*

Both Gateway Rehabilitation and Healthcare and Grace Village are located in Caldwell County. Therefore, application is consistent with Policy LTC-2.

Policy GEN-4

Policy GEN-4 states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall

include in its certificate of need application a written statement describing the project's plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, 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 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

The proposed capital expenditure for this project is greater than \$2 million, but less than \$5 million. In Section IX.5, pages 41-42, the applicants describe the project's plan to assure improved energy efficiency and water conservation. Attachment 9 contains a letter dated January 15, 2018 from the architect stating its firm would "assist the owner in developing a comprehensive water and energy conservation plan which complies with all applicable laws and regulations." 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

The Agency reviewed the:

- Application
- Attachments to the application
- 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 because the applicants demonstrate conformity with Policy LTC-2 and Policy GEN-4.

- (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 18 existing ACH beds from Gateway Rehabilitation and Healthcare in Lenoir to Grace Village in Granite Falls upon completion of this project and Project I.D. # E-11429-17. Both facilities are located in Caldwell County.

Patient Origin

On page 211, the 2018 SMFP defines the service area for ACH beds as *“the adult care home bed 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 Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Caldwell County. Facilities may also serve residents of counties not included in their service area.

On page 12, the applicants state, *“This proposed 18 bed CON application involves the addition of 18 beds to the proposed 60 bed project. The two projects combined will have 78 beds and will be developed concurrently ...”* In Project I.D. # E-11429-17, the applicants provided the projected patient origin for Grace Village in Section III.7, page 23. In the current application, page 11, the applicants states, *“The ACH services proposed to be offered in the 18 beds are identical to the ACH services provided in the 60 bed CON application.”* In supplemental information the applicants state, *“Grace Village, is anticipating to have the same County of Origin percentages of patients as had been projected in the recently approved 60-bed facility. No changes in the service area or percentages of patients served are being proposed in the current application.”* In Project I.D. # E-11429-17, the applicants projected the following patient origin, as illustrated below.

Grace Village Projected Patient Origin

County	% of Total Patient Origin
Caldwell	90.0%
Catawba	6.0%
Burke	3.0%
Alexander	1.0%
Total	100.0%

In Section II, page 12-14, and supplemental information, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

The applicants adequately identified the population to be served.

Analysis of Need

On page 12, the applicants state the benefits of relocating an additional 18 beds to Grace Village, as follows:

“There will be the following residual changes to the benefits offered...

- *More patients served.*
- *More low income patients served.*
- *The capital costs per bed to build 78 beds will be lower than for 60 beds.*
- *The daily operating costs per patient day associated with 78 beds will be lower than with 60 beds.*

The services to be provided will be identical to the ACH services proposed previously, will be consistent with services provided by other licensed ACH facilities in Caldwell County, and will be accessible to all payer sources.”

In Section II.5, page 15, the applicants describe the factors which they state support the need to relocate the 18 ACH beds, as summarized below:

- Relocating beds to an area growing in both total population as well as seniors (pages 4, 11-12, 15 and Attachment 5).
- Through economies of scale lower the over-all per bed capital and operating cost associated with operating Grace Village (page 4).
- Improve financial and geographic accessibility to ACH beds within Caldwell County (page 4).
- Improve accessibility to modern, state-of-the-art ACH accommodations and services to all payer sources including low-income persons. (pages 13, 15 and Attachment 6).
- In addition to the 60 underutilized beds, the 18 ACH beds at Gateway Rehabilitation and Healthcare are also underutilized (page 13).
- Caldwell County needs the bed availability offered that will be offered by Grace Village (page 13).

As shown in the table below, from 2017 to 2022 the population of Granite Falls is projected to grow by 1.6 percent with its 65+ population projected to increase by 16.6 percent. The population of Caldwell County, as a whole, is only projected to increase by 0.7% during the period with an increase of 14.4 percent in its 65+ population.

Caldwell County’s Projected Population Growth 2017-2022

Location	2017 Population Estimates	2022 Population Projects	Difference	% of Difference
Granite Falls	19,802	20,119	317	1.6%
Hudson	12,314	12,440	126	1.0%

Lenoir	46,224	46,342	118	0.3%
Caldwell County	81,405	81,995	590	0.7%

Source: Applicant’s Application Exhibit 5, pages 88-97

Caldwell County’s Projected Population Growth 65+ 2017-2022

Location	65+ 2017 Pop. Estimates	65+ 2022 Pop. Projects	Diff.	% of Diff.
Granite Falls	3,458	4,033	575	16.6%
Hudson	2,296	2,639	343	14.9%
Lenoir	9,263	10,477	1,214	13.1%
Caldwell Co.	15,613	17,859	2,246	14.4%

Source: Applicant’s Application Attachment 5, pages 88-97

The applicants adequately demonstrate the need to relocate 18 existing ACH beds from Gateway Rehabilitation and Healthcare in Lenoir to Grace Village in Granite Falls.

Projected Utilization

The applicants received approval to develop Grace Village, a new 60 bed ACH facility by relocating 60 existing beds from Carolina Oaks on April 29, 2018, therefore, Grace Village has no historical patient utilization to report. Gateway Rehabilitation and Healthcare is an existing nursing home facility with 18 ACH beds. According to information reported in the Nursing Home License Renewal Applications (LRAs), the 18 ACH beds at Gateway Rehabilitation and Healthcare had the following utilization, as illustrated below.

Gateway Rehabilitation and Healthcare 18 ACH beds Utilization					
	# of ACH Beds	Beginning Census	Ending Census	Number of Days	Utilization
2015	18	11	10	3,950	60.12%
2016	18	10	7	3,392	51.53%
2017	18	7	3	1,975	30.06%
2018	18	3	0	174	2.65%

Source 2014 – 2018 LRAs. Reporting period of October 1 – September 30.

As illustrated in the table above, the utilization at Gateway Rehabilitation and Healthcare for its 18 ACH beds has decreased from above 60 percent in 2014 (as reported on the 2015 LRA) to less than 3 percent in 2017 (as reported on the 2018 LRA). In a letter dated October 24, 2017, Omega Healthcare Inventors, Inc., (the owners of Gateway Rehabilitation and Healthcare) proposed delicensing the 18 ACH beds at Gateway Rehabilitation and Healthcare. In an amended request dated February 15, 2018, the owners of Gateway Rehabilitation and Healthcare requested they be allowed to sell the 18 ACH beds to a third party, hence, the 18 ACH beds at Gateway Rehabilitation and Healthcare were never delicensed. In regard to the 18 ACH beds at Gateway Rehabilitation and Healthcare, the applicants state on page 14, the ACH beds are, “located within a combination skilled nursing

facility, and are not and have not been operationally competitive with free-standing ACH facilities, due to higher operating costs and the institutional environment in which the SNF-oriented medical model ACH beds are located.”

In Section III.2, page 19 and Attachment 10, the applicants provide projected utilization, by quarter, for the first two operating years for the proposed 78 ACH bed facility, as summarized in the table below:

GRACE VILLAGE PROJECTED UTILIZATION		
	1st Full Year FFY2021	2nd Full Year FFY2022
Patient Days	13,028	25,658
Occupancy Rate	45.8%	90.1%
Number of Beds	78	78

As shown in the table above, the applicants project the 78 ACH beds will operate at 90.1% of capacity [(25,658 days / 365 days per year) / 78 beds = 0.9012] in the second year of operation. In Section III.2, page 17, the applicants provide their assumptions and methodologies used to project utilization. The applicants state that their assumptions are based on *“pent-up demand (driven in large part by the loss of 60 ACH beds at Carolina Oaks combined with the attractive and easily accessible Granite Falls location)*. On page 17, the applicants state the fill-up projections follow a pattern set at Terrace Ridge Assisted Living. The applicants describe the assumptions as follows:

- *Average ten patients per day for the first month.*
- *Average 4.5 net move-ins per month until full.*

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

- Demonstrated growth in the 65 + population of Caldwell County.
- Demonstrated need for the underutilized beds at Gateway Rehabilitation and Healthcare.
- The applicants demonstrate that the underserved population of Caldwell County will have access to the proposed services.

Access

In Section IV, page 21, the applicants state:

“There are no restrictions on accessibility to the beds to any of the groups listed [low income persons, racial and ethnic minorities, women, handicapped persons, elderly, and other underserved persons, including the medically indigent]. Tullock Management complies with all laws regarding discrimination, and will manage Grace Village accordingly.

Grace Village will not discriminate against any person on the basis of race, color, handicap, gender, national origin, low income, or age ...”

On page 22, the applicants state that Grace Village projects to serve 43.4% of patients who will have their services paid by Medicaid and 56.6% of patient days will be provided to private pay patients in the second operating year (FFY2022), as illustrated in the table below.

Payor Category	Projected Number of Patient Days	ACH Percent of Patient Days
Private Pay	6,570	25.6%
Semi-Private (Private Pay)	7,940	30.9%
Semi-Private Special Assistance (Medicaid)	11,148	43.4%
Total	25,658	100.0%

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Attachments 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 applicants adequately identify the population to be served.
- The applicants adequately explain why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicants adequately demonstrate 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.

The applicants propose to relocate 18 existing ACH beds from Gateway Rehabilitation and Healthcare, a combination nursing home and ACH facility to Grace Village. Upon relocation of the 18 ACH beds, Gateway Rehabilitation and Healthcare will continue to operate with 100 nursing home beds. According to the 2018 LRA for Gateway Rehabilitation and Healthcare, as of September 30, 017, the facility had no ACH patients. Therefore, no patient services will be eliminated by the relocation of the vacant ACH beds from Gateway Rehabilitation and Healthcare to Grace Village.

The Agency reviewed the:

- Application
- Attachments to the application
- 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 patient services will not be interrupted by the proposed relocation of ACH beds because the 18 ACH beds at Gateway Rehabilitation and Health have been vacant since September 30, 2017.
- The project will not adversely impact the ability of the 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 propose to relocate 18 existing ACH beds from Gateway Rehabilitation and Healthcare in Lenoir to Grace Village in Granite Falls upon completion of this project and Project I.D. # E-11429-17.

In Section II.5, pages 14-15, the applicants describe the alternatives considered, as discussed below:

- Maintain the Status Quo - The applicants considered not repurposing the 18 ACH bed and adding them to the approved 60 ACH beds for Grace Village. However, allowing those beds to remain unused or becoming delicensed was not considered to be in the best interest of the growing senior population of Caldwell County.
- Develop Grace Village as proposed in Project I.D. # E-11429-17 - The applicants state the addition of the 18 ACH beds to the approved 60 ACH beds would allow the applicants to serve more patients. Additionally, the applicants state that the 78 bed facility will have a lower capital cost per bed as well as a lower daily operating cost. Thus, the applicants conclude that the stand alone previously approved application is

not the most effective alternative to meet the growing need for ACH beds in Caldwell County considering the opportunity to add an additional 18 ACH beds. The applicants provide supporting documentation in Attachments 5-8.

The applicants adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need because incorporating the 18 licensed, but unoccupied ACH beds into the previous project will improve access in Caldwell County in an area of the county with a fast growing and aging population.

Conclusion

The Agency reviewed the:

- Application
- Attachments 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 application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village shall materially comply with all representations made in the certificate of need application. Where representations made in this application and the original application differ, the Spartan Holdings, LLC and Grace Village, Inc. shall materially comply with the representation made in this application.**
- 2. Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village shall relocate no more than 18 adult care home beds from Gateway Rehabilitation and Healthcare to Grace Village for a total of no more than 78 ACH beds upon completion of this project and Project I.D. # E-11429-17.**
- 3. Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village 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, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village shall not increase private pay charges more than 5% of the projected private pay charges provided in Section X 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, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village 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. **Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village 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 applicants propose to relocate 18 existing ACH beds from Gateway Rehabilitation and Healthcare to Grace Village for a total of 78 ACH beds upon completion of this project and Project I.D. # E-11429-17.

Capital and Working Capital Costs

In Section VI, page 28, the applicants project the total capital cost of the project as shown in the table below:

Site Costs	\$200,000
Construction Costs	\$1,477,280
Miscellaneous Costs	\$425,762
TOTAL CAPITAL COST	\$2,103,042

In Section VI, the applicants provide the assumptions used to project capital cost. In Section VII, page 32, the applicants projects that start-up costs will be \$50,000 and initial operating expenses will be \$429,711 for a total working capital of \$479,711.

Availability of Funds

In Section VI, page 30, of the current application and Section VIII, page 34, of Project I.D. # E-11429-17, the applicants state that the capital cost for Project I.D. # E-11429-17 and the proposed project will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Project I.D. # E-11429-17	Current Application	Total
Loans	\$7,200,000	\$1,762,280	\$8,962,280
Accumulated reserves or OE *	\$1,746,000	\$340,762	\$2,086,762
Total Financing **	\$8,946,000	\$2,103,042	\$11,049,042

* OE = Owner's Equity

Attachment 13 contains a letter dated February 6, 2018 from the Vice President of Peoples Bank stating their willingness to fund the capital cost of the proposed project.

In Section VII, page 32, the applicants state that the working capital needs of the project will be funded as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$500,000
(b)	Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$0.00
(c)	Lines of credit	\$0.00
(d)	Bonds	\$0.00
(e)	Total *	\$500,000

Attachment 20 contains a letter dated February 7, 2018 from the CEO of Charlotte/Advance stating their willingness fund the working capital needs of the project.

Financial Feasibility

The applicants provided pro forma financial statements for the first two full fiscal years of operation following completion of the project. In the pro forma financial statement (Form B), the applicants project that operating expenses will exceed projected revenues in operating year (OY) one and that revenues will exceed operating expenses in OY2 of the project, as shown in the table below.

	1 st Full Fiscal Year 2021	2 nd Full Fiscal Year 2021
Total Projected # of Patient Days	13,028	25,658
Total Revenues (Charges)	\$1,205,865	\$2,289,209
Average Net Revenue per Day (Net Revenue/ Projected # of Days)	\$92.56	\$89.22
Total Operating Expenses (Costs)	\$1,641,407	\$2,216,179
Average Operating Expense per Day (Operating Expense/Projected # of Days)	\$125.99	\$86.37
Net Income	(\$435,542)	\$73,030

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See pages 45-68 of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Attachments to the application
- 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 and working 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 18 existing ACH beds from Gateway Rehabilitation and Healthcare to Grace Village for a total of 78 ACH beds upon completion of this project and Project I.D. # E-11429-17.

On page 211, the 2018 SMFP defines the service area for ACH beds as *“the adult care home bed 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 Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Caldwell County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2018 SMFP indicates that there are currently a total of six facilities in Caldwell County with licensed ACH beds, however only five of those facilities are operational. The table below is a summary of those facilities in Caldwell County, from the 2018 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 33 ACH beds in 2020 for Caldwell County.

2018 ACH INVENTORY AND 2021 NEED PROJECTIONS FOR CALDWELL COUNTY	
# ACH Facilities	6
# Beds in ACH Facilities	331
# Beds in Nursing Facilities	18
Total Licensed Beds	349
# CON Approved Beds (License Pending)	0
Total # Available*	289
Total # in Planning Inventory	349
Projected Bed Utilization Summary	316
Projected Bed Surplus (Deficit)	33

*The sixty licensed beds at Carolina Oakes Enhanced Care Center are listed in the bed inventory, however, the facility is closed and those beds are not available to patients.

The applicants do not propose to develop new ACH beds, but rather to relocate 18 existing ACH beds, currently located at Gateway Rehabilitation and Healthcare, to a new facility in Granite Falls. There will be no increase in the inventory of ACH beds or the number of ACH facilities in Caldwell County.

The applicants adequately demonstrate their proposal would not result in the unnecessary duplication of existing or approved ACH services in Caldwell County for the following reasons:

- The proposal would not result in an increase in the number of ACH beds in Caldwell County.
- The applicants adequately demonstrate that the proposed relocation of existing unoccupied ACH beds is needed in addition to the existing or approved ACH beds in Caldwell County.

Conclusion

The Agency reviewed the:

- Applications
- Attachments in the application
- 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.

In Section V, page 24, the applicants provide a table showing projected staffing for the 78 beds at Grace Village in the second operating year (FY2021), as summarized in the table below.

Position	Proposed Staffing FTE Positions
Care Coordinator	1.0
Supervisor/Med Aides	7.0
Personal Care Aides	14.0
Transportation	1.0
Food Service Supervisor	1.0
Cooks	2.0
Dietary Aides	2.0
Activity Director	1.0
Housekeeping Aides	3.0
Laundry Aide	0.5
Maintenance Supervisor	1.0
Administrator	1.0
Bookkeeper	1.0
TOTAL	35.5

On page 24 the applicants state, “*The above data reflects the FTEs projected to staff the 78 bed facility in Year 2. The same table was provided in the earlier 60 bed CON application, but inadvertently provided staffing numbers which reflected full and part-time positions, not FTEs. The FTE staffing projected herein reflects FTEs, not full and part-time positions.*”

The assumptions and methodology used to project staffing are provided in Section V and Attachment 10. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in Form C, which is found in Section 10. In Section V, page 23, the applicants identify the proposed medical director. In Attachment 12, the applicants provide a letter from the proposed medical director indicating an interest in serving as medical director for the proposed services. In Section V, page 23, the applicants also discuss their on-going conversation with the leadership staff of Caldwell Community College and Technical Institute. In Attachments 11 and 12, the applicants provide supporting documentation.

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

Conclusion

The Agency reviewed the:

- Application
- Attachments 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 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

On page 4, the applicants state, *“The services proposed by the project are the same as with the earlier 60 bed Grace Village proposal.”* In Section II.1, page 15 of Project I.D. # E-11429-17, the applicants described the ancillary and support services that would be provided by the facility or made available through agreements with other providers. Attachment 9 of Project I.D. # E-11429-17, contained letters of support from Caldwell UNC Health Care (Physician’s Service Agreement), Medipack Pharmacy, and QMX (Imaging & Diagnostic Services). Attachment 10 contained a letter of support from the proposed Medical Director for the facility. In the current application, the applicants provide letters of support in Attachment 19 from Caldwell Memorial Hospital, the Mayor of Granite Falls, Caldwell County Economic Development Commission, the Chairman of Caldwell County Commissioners, and Caldwell Community College and Technical Institute.

The applicants adequately demonstrate that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Attachments 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 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.

The applicants do 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 applicants do 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 applicants are 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 IX, page 41, the applicants state that the project involves constructing a new 78-bed ACH facility projected to consist of 42,987 square feet. In Project I.D. # E-11429-17 the applicants were approved to construct a 60-bed ACH facility consisting of 32,435 square feet. The proposed application is for the relocation of 18 ACH beds which is projected to add an additional 10,552 square feet of space to Grace Village. Line drawings are provided in Attachment 18.

On pages 41-42, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Attachments 9 and 16.

On page 25, the applicants adequately explain why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On pages 41-42, the applicants identify any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Attachment 9.

On pages 40-41 and Attachments 15-17, the applicants identify the proposed site and provide information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site.

Conclusion

The Agency reviewed the:

- Application
- Attachments 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 application is conforming to this criterion for the reasons stated above.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

Neither the applicants nor any related entities owns, operates or manages an existing facility located in the service area. Therefore, Criterion (13a) is not applicable to this review.

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

NA

Neither the applicant nor any related entities owns, operates or manages an existing facility located in the service area. Therefore, Criterion (13b) is not applicable to this review.

- (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 IV, page 22, the applicants provide the projected payor mix for ACH services at Grace Village for the second operating year (FY2022), as shown in the following table:

Payor Category	Projected Number of Patient Days	ACH Percent of Patient Days
Private Pay	6,570	25.6%
Semi-Private (Private Pay)	7,940	30.9%
Semi-Private Special Assistance (Medicaid)	11,148	43.4%
Total	25,658	100.0%

As shown in the table above, the applicants project that 43.4% of total ACH patient days will be provided to Medicaid state/county special assistance patients. The applicants describe the basis for their payor mix projection in Section IV, page 22 and Attachment 10 of the application. The applicants state that the utilization projections are based on Tullock Management experience with other ACH facilities in North Carolina. The projected payor mix is reasonable and adequately supported for the following reasons:

- The need for the licensed, but unoccupied beds.
- The projected growth of the aging population of Caldwell County.
- The experience of Tullock Management

The Agency reviewed the:

- Application
- Attachments 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 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 IV.5, page 21, the applicants state:

“The facility will accept patients referred by a wide variety of sources, including: Caldwell City Department of Social, Caldwell Memorial Hospital, physicians, hospice, home health agencies, churches, self-referrals, community groups, and social networks which are involved in serving seniors.”

The Agency reviewed the:

- Application
- Attachments 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 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

Attachment 19 contains a copy of a letter dated October 4, 2017 from the President of Caldwell Community College supporting the proposed project and requesting the facility be used as a training site for the colleges' health professional training programs.

The Agency reviewed the:

- Application
- Attachments 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 applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and 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 18 existing ACH beds from Gateway Rehabilitation and Healthcare to Grace Village for a total of 78 ACH beds upon completion of this project and Project I.D. # E-11429-17.

On page 211, the 2018 SMFP defines the service area for ACH beds as *“the adult care home bed 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 Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Caldwell County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2018 SMFP indicates that there are currently a total of six facilities in Caldwell County with licensed ACH beds, however only five of those facilities are operational. The table below is a summary of those facilities in Caldwell County, from the 2017 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 33 ACH beds in 2020 for Caldwell County.

2018 ACH INVENTORY AND 2021 NEED PROJECTIONS FOR CALDWELL COUNTY	
# ACH Facilities	6
# Beds in ACH Facilities	331
# Beds in Nursing Facilities	18
Total Licensed Beds	349
# CON Approved Beds (License Pending)	0
Total # Available*	289
Total # in Planning Inventory	349
Projected Bed Utilization Summary	316
Projected Bed Surplus (Deficit)	33

*The sixty licensed beds at Carolina Oakes Enhanced Care Center are listed in the bed inventory, however, the facility is closed and those beds are not available to patients.

The applicants do not propose to develop new ACH beds, but rather to relocate 18 existing ACH beds, currently located at Gateway Rehabilitation and Healthcare, to a new facility in Granite Falls. There will be no increase in the inventory of ACH beds or the number of ACH facilities in Caldwell County.

In Section V.6, page 25, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. The applicants state,

“Existing facilities in Caldwell County can be expected to respond to the market entry of a new provider, accessible by all payer sources, by improving their accommodations and quality of services, and keeping charges at competitive levels, and improving financial accessibility.

...

With the entry of Grace Village into the Caldwell County ACH market, seniors of all payor sources will finally have the opportunity to access a state-of-the-art, brand new ACH facility in Caldwell County. ... The proposed project will relocate currently licensed 18 ACH beds to the 60 bed facility. The 18 beds are designed as private accommodations.

Grace Village is projected to utilize 11,148 Medicaid patient days during Year 2. In a comparative sense, only one currently open ACH facility in Caldwell County served more Medicaid patient days, according to the 2018 License Renewal Application.

Grace Village is well positioned in the Caldwell County market to influence improved access to ACH beds within the county by all payer sources. Also, the facility will provide a high level of quality service and new state-of-the-art accommodations for the very same rates Medicaid pays to all ACH facilities, resulting in additional benefit and choice to lower income residents who choose to reside at Grace Village.”

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 VI and X of the application and any exhibits)
- Quality services will be provided (see Section II of the application and any exhibits)
- Access will be provided to underserved groups (see Section IV of the application and any exhibits)

Conclusion

The Agency reviewed the:

- Application
- Attachments to the application
- 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 I.6, page 7, the applicants state that Tullock Management Company will provide management of Grace Village. On page 8, the applicants state that Grace Village is not yet operational. In Project I.D. # E-11429-17, in Section II.3, page 17, the applicants reported that some of the owners of Spartan Holdings, LLC and Grace Village are also owners in two other facilities in North Carolina, Terrace Ridge Assisted Living in Gastonia (Gaston County) and Journey's Assisted Living in Statesville (Iredell County). On page 17, of Project I.D. # E-11429-17, the applicants reported Terrace Ridge Assisted Living received a Type A violation in October 2015 and that a plan of correction was put in place with the facility being brought back into compliance as of November 2015. However, the facility appealed the monetary penalty, the penalty was paid in June 2017. According to the files in the Adult Care Licensure Section, DHSR, an incident occurred at one of the facilities within the 18 months immediately preceding the submission of the application through the date of the decision related to quality of care. As of the date of this decision, the problem had been corrected. Based on a review of the certificate of need application, publicly available data, and information provided by the Adult Care and Licensure Section, the applicants adequately demonstrate that they or a related entity provided quality care during the 18 months immediately preceding the submittal of the application through the date of the decision.

After reviewing and considering information provided by the applicants and the quality of care provided at both facilities, the applicants provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of

health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is conforming with 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 applicants are 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 applicants are 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.

-NA- The applicants are not proposing to add adult care home beds to an existing facility.

(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- On page 19, the applicants project the proposed 78-bed ACH facility will operate at an average occupancy rate of 90 percent in the second operating year. The applicants describe their assumptions and methodology for projecting utilization in Section III.1, pages 17-20, and Section IV.3, page 22.