

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 29, 2018

Findings Date: November 29, 2018

Project Analyst: Bernetta Thorne-Williams

Team Leader: Gloria Hale

Project ID #: O-11543-18

Facility: Southport Nursing Center

FID #: 160256

County: Brunswick

Applicant: Southport Nursing Center, LLC

Project: Change of scope for Project I.D. # O-11187-16 (construct a combination nursing facility by relocating 32 adult care home beds from The Commons at Brightmore located in New Hanover County and 64 nursing facility beds from Doshier Nursing Center located in Brunswick County). Upon completion of the proposed project, the applicant will temporarily relocate and operate 32 adult care home beds to vacant space at Southport Nursing Center (formerly Doshier Nursing Center).

### 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, Southport Nursing Center, LLC, proposes a change of scope (COS) for Project I.D. # O-11187-16 which authorized the construction of a combination nursing facility by relocating 32 adult care home (ACH) beds from The Commons at Brightmore located in New Hanover County and 64 nursing facility (NF) beds from Doshier Nursing Center (now Southport Nursing Center) located in Brunswick County.

In the current application, the applicant proposes a change of scope which would allow Southport Nursing Center to temporarily operate 32 ACH beds, in vacant space at Southport Nursing Center (formerly Doshier Nursing Center) located at 924 North Howe Street, in Southport (Brunswick County) while the new 96-bed combination nursing facility is under development.

### **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 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

### **Policies**

The applicant was found confirming to the following policies in Project # O-11187-16:

- **Policy NH-6: Relocation of Nursing Facility Beds**
- **Policy NH-8: Innovations in Nursing Facility Design**
- **Policy LTC-2: Relocation of Adult Care Home Beds**
- **Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities**

In the current COS application, Policy LTC-2: Relocation of Adult Care Home Beds in the 2018 SMFP is 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 a contiguous county shall:*

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

In the current COS application, the applicant proposes to temporarily relocate and operate the 32 ACH beds that were previously located at the Commons at Brightmore in New Hanover County to Southport Nursing Center (formerly Doshier Nursing Center) in Brunswick County while the 96-bed combination nursing facility approved in Project I.D. # O-11187-16 is under development.

The applicant proposes a capital cost of \$821,000 for the temporary operation of the 32 ACH beds. Table 11B: Adult Care Home Need Projections for 2021 of the 2018 SMFP shows a surplus of 192 ACH beds in New Hanover County and a deficit of 34 ACH beds in Brunswick County. (See 2018 SMFP, pages 238-239).

In Section B, page 16, the applicant states, *“The project was already approved to move the 32 ACH beds from New Hanover to Brunswick County. This change of scope is merely making these beds available now while the new building is built.”*

The applicant was found conforming to Policy LTC-2 in the previous application and nothing has changed in the proposed application to alter that determination. Therefore, the COS application remains consistent with Policy LTC-2.

### **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 and 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 proposes a COS for Project I.D. # O-11187-16 which authorized the construction of a new combination nursing facility by relocating 32 ACH beds from The Commons at Brightmore located in New Hanover County and 64 NF beds from Doshier

Nursing Center (now Southport Nursing Center) located at 924 North Howe Street, in Southport, in Brunswick County.

In the current application, the applicant proposes a change of scope which would allow Southport Nursing Center to temporarily relocate and operate the 32 ACH beds in vacant space at Southport Nursing Center (formerly Doshier Nursing Center), in Brunswick County while the new 96-bed combination nursing facility is under development.

**Patient Origin**

On page 211, the 2018 SMFP defines the service area for adult care home beds as, “An adult care home bed’s service area is the adult care home 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 Tyrrell, are considered a combined service area.” Thus, the service area is Brunswick County. Facilities may serve residents of counties not included in their service area.

In Section III.9, page 56, of Project I.D. # O-11187-16, the applicant provided its projected patient origin for the proposed facility which included projected patient origin for both the NF beds and the proposed 32 ACH beds, as follows.

County	NF Beds As Percent of Total	ACH Beds As Percent of Total
Brunswick	93%	93%
New Hanover	5%	5%
Columbus	2%	2%
Total	100%	100%

Source: Project I.D. # O-11187-16, Section III, page 56

In supplemental information received from the applicant on October 23, 2018, the applicant provides the projected patient origin for the third full fiscal year (FFY) for the proposed project, as follows.

**Projected Patient Origin  
32 Temporary ACH Beds  
Third FFY 10/1/2021-9/30/2022**

County	Number of Patients	As Percent of Total
Brunswick	32	100%
Total	32	100%

In Section C.10, page 25, of the proposed COS application, the applicant states that projected patient origin is not expected to differ from the previously approved application. However, as noted in the supplemental information, the applicant projects that 100% of the patients utilizing the 32 temporary ACH beds will be from Brunswick County instead of 93%, as reported in Project I.D. # O-11187-16. The applicants state that the change in the population to be served by the temporary ACH beds is based on the following:

- The applicant used the license renewal application (LRA) of Ocean Trail Healthcare & Rehabilitation Center, which is an affiliated facility, to project patient origin.
- The applicant states, based on the close proximity of Ocean Trail Healthcare & Rehabilitation Center, less than 0.1 mile from Southport Nursing Center, it was assumed the facilities would have the “*same*” patient origin.

The applicant adequately identifies the population to be served.

### **Analysis of Need**

In Section C.1, pages 19-20 and supplemental information, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services.

- In Project I.D. # O-11187-16, the applicant and three other co-applicants were approved to construct a combination nursing facility by relocating 32 ACH beds from The Commons of Brightmore in New Hanover County and 65 NF beds from Doshier Nursing Center (now Southport Nursing Center) in Brunswick County to develop a new facility in Brunswick County.
- In the current COS application, the applicant proposes the temporary relocation and operation of the 32 ACH beds to vacant space in Southport Nursing Center (formerly Doshier Nursing Center) to meet the immediate need of Brunswick County residents for ACH beds.
- Projected growth in the 65+ population supports the need for ACH bed availability. The applicant reports that this population accounted for 29.34 percent of the overall population of Brunswick in 2018.
- The applicant states it would like to “*maximize*” ACH bed availability to Brunswick County residents in need of those services.
- The 2018 SMFP shows a need for 34 additional ACH beds in Brunswick County by 2021. This is in addition to the 372 ACH beds pending licensure.
- The combination nursing facility approved in Project I.D. # O-11187-16 is not projected to be operational until December 2023 which does not address the immediate need for ACH beds in Brunswick County.

In Section C, page 19, the applicant states that, “*This Change of Scope aims to facilitate all the details in Project O-11187-16, with the only change being to temporarily locate and operate the 32 ACH beds at the former [sic] Southport Nursing facility while the new 96 bed combination building is constructed.*”

On page 19, the applicant states the previous residents of Southport Nursing Center were transferred to an affiliated facility, Ocean Trail, which is located 0.1 miles from Southport Nursing Center. Thus, Southport Nursing Center is vacant and the applicant proposes using the facility to temporarily house the 32 ACH beds approved in Project I.D. # O-11187-16.

In Section C, pages 19-20, the applicant states it used the 2018 SMFP population data in conjunction with population data taken from “*Spotlight pop-facts*” to determine the utilization and the need for additional ACH beds in Brunswick County. The applicant states that there are currently 321 licensed ACH beds in Brunswick County. However, the applicant states that the utilization of those beds demonstrate a need for 579 ACH beds, thereby creating a deficit of 258 ACH beds, as illustrated in the table below.

Service Area	2018 Population				
	Under 35	Age 36-64	Age 65-74	Age 75-84	Age 85+
Brunswick	42,116	51,060	26,871	9,080	2,738
<b>2018 Bed Utilization by Age Group</b>					
<35	35-64	65-74	75-84	85+	
2	65	141	167	204	579
Currently Licensed	Exclusions	Inventory	Surplus/ Deficit		Beds Needed
321	0	321	-258		258

On page 20, the applicant states it recognizes that there are 372 CON approved, but pending licensure ACH beds in Brunswick County (including the 32 ACH beds that are a part of this COS application). The applicant further states that even with the development of 372 beds in Brunswick County, the 2018 SMFP projects a need for an additional 34 ACH beds by 2021.

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

- the applicant analyzed the current population and determined that there is a need for the 32 ACH beds now instead of waiting for the completion of the proposed combination facility approved in Project I.D. # O-11187-16.
- The applicant was approved in Project I.D. # O-11187-16 to develop the new combination facility based on a deficit of ACH beds in Brunswick County and a surplus of ACH beds in New Hanover County.

*Projected Utilization*

In Section IV, pages 60-64, of Project I.D. # O-11187-16, the applicant provided the projected utilization for the 32 ACH beds during the first two full federal fiscal years (FFYs), as follows.

<b>ACH Beds-Projected Utilization First and Second Operating Years</b>		
	OY1	OY2

	<b>FFY 2020</b>	<b>FFY 2021</b>
Patient Days	8,868	10,950
# of bed	32	32
Occupancy Rate	75.9%	93.8%

In supplemental information, the applicant provides the assumptions used to project utilization, which is summarized below:

- The applicant used the growth and aging of the Brunswick County population who would benefit the most from the more immediate availability of the ACH beds.
- The availability of 32 ACH beds in Brunswick County by fiscal year 2020 instead of December 2023, when the development of the combination facility is projected to be operational, will maximize the use of the available ACH beds.

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

- the applicant was previously approved in Project O-11187-16 to relocate 32 ACH beds from New Hanover County to Brunswick County,
- the applicant proposes the temporary relocation of the 32 ACH beds to provide a more immediate solution for needed ACH beds in Brunswick County while the proposed new 96 bed combination facility is under development, and
- the applicant assumes that 100 percent of the patients who will utilize the 32 temporary beds will be from Brunswick County.
- projected utilization has not changed from the previous application and was found to be reasonable and adequately supported.

**Access**

In the previously approved application, Project I.D. # O-11187-16, in Section VI.3, page 69, the applicant stated the residents of the service area would have access to the proposed services, including those residents who were low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and other underserved groups.

Additionally, on page 69, the applicant projected the following payor mix during the second full FFY (2021) of Project I.D. # O-11187-16, as follows.

**Projected Days as a % of Total Days  
 Project I.D. # O-11187-16**

<b>Payor Source</b>	<b>ACH Patients</b>
Private Pay	40.0%

Medicare	0.0%
Medicaid	0.0%
County Assistance	60.0%
Total	100.0%

Source: Project I.D. # O-11187-16, page 69

In Section L.6, page 48, of the proposed COS application, the applicant states its admission policy remains unchanged, therefore the applicant will admit all residents to the facility without regard to race, color, creed, national origin, age, sex, religion, handicap, ancestry, marital status, veteran status, and payment source.

In Section L.6, page 48, of the proposed COS application, the applicant states that it still projects that 60.0% of its total ACH patient days will be paid by County Assistance. This projected payor mix is in line with the projected payor mix reported in the previously approved application.

### **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 in Project I.D. # O-11187-16 and the applicant does not project a significant change in that population.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization was deemed reasonable and adequately supported in Project I.D. # O-11187-16 and the applicant does not project any significant changes.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

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



In the current application, the applicant proposes a change of scope which would allow Southport Nursing Center, LLC to temporarily operate the 32 ACH beds, currently not in use, while the new 96-bed combination nursing facility is under development. The temporary 32 ACH beds will be housed in vacant space at Southport Nursing Center in Southport.

In Project I.D. # O-11187-16, the applicants were found conforming with this criterion.

### **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
- (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 proposes a COS for Project I.D. # O-11187-16 which authorized the construction of a new combination nursing facility by relocating 32 ACH beds from The Commons at Brightmore located in New Hanover County and 64 NF beds from Doshier Nursing Center (now Southport Nursing Center) located at 924 North Howe Street, in Southport, in Brunswick County.

In the current application, the applicant proposes a change of scope which would allow Southport Nursing Center to temporarily relocate and operate the 32 ACH beds in vacant space at Southport Nursing Center (formerly Doshier Nursing Center), in Brunswick County while the new 96-bed combination nursing facility is under development.

In Section E, page 29, the applicant the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo - The applicant could just develop Project I.D. # O-11187-16, as approved. However, the applicant states this alternative does not address the need for additional ACH beds in Brunswick County until 2023, which is not the best alternative to meet the growing need for those beds within the county. Therefore, this option was not considered to be an effective alternative.

- Submit the Application as Proposed - The applicant states the change of scope application on the previously approved project is a more effective approach to addressing the growing need for additional ACH beds in Brunswick County.

In Section E.2(b), page 29, the applicant states that its change of scope proposal is the most effective alternative because, “... *not only is there a future need of AL care, but a current need as well. If the Applicants maintain the status quo, these 32 AL beds would not come into motion until 2023, delaying the current needs of Brunswick County.*”

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 applicant was approved in Project I.D. # O-11187-16 to develop a new 96-bed combination facility by relocating 32 licensed ACH beds from The Commons at Brightmore in New Hanover County and 64 NF beds from Doshier Nursing Center in Brunswick County.
- The temporary relocation and operation of the 32 ACH beds in vacant space at Southport Nursing Center (formerly Doshier Nursing Center) would allow the applicant to maximize the existing space to provide ACH services in a more expedited manner as opposed to waiting until 2023 with the development of the new facility to provide those services.

### **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 for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Southport Nursing Center, LLC shall materially comply with all representations made in this application, supplemental information and Project I.D. # O-11187-16. In the event that representations conflict, Southport Nursing Center, LLC shall materially comply with the last made representation.**
- 2. Southport Nursing Center, LLC shall temporarily relocate and operate no more than 32 adult care home beds at Southport Nursing Center, in Brunswick County.**

3. **Upon completion of the project, Southport Nursing Center shall be licensed for no more than 64 nursing facility beds and no more than 32 adult care home beds.**
  4. **Upon development of the 96-bed combination nursing facility in Brunswick County, Southport Nursing Center, LLC shall discontinue use of the 32 temporary adult care home beds at Southport Nursing Center.**
  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, Southport Nursing Center, LLC, shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. **Payor mix for the services authorized in this certificate of need.**
    - b. **Utilization of the services authorized in this certificate of need.**
    - c. **Revenues and operating costs for the services authorized in this certificate of need.**
    - d. **Average gross revenue per unit of service.**
    - e. **Average net revenue per unit of service.**
    - f. **Average operating cost per unit of service.**
  6. **Southport Nursing Center, 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 proposes a change of scope which would allow Southport Nursing Center to temporarily relocate and operate 32 ACH beds in vacant space at Southport Nursing Center (formerly Doshier Nursing Center), in Brunswick County while the new 96-bed combination nursing facility is under development.

**Capital and Working Capital Costs**

In Section Q, page 57, Form F.1b, the applicant provides the approved capital costs for the previously approved project and the projected capital cost of the COS project. Shown below is the proposed capital cost for the COS project.

Site Costs	\$0.00
Construction Costs	\$506,000.00
Miscellaneous Costs	\$315,000.00
<b>Total</b>	<b>\$821,000</b>

In Section Q, page 58, the applicant states the proposed COS capital cost is for the up-fit of the existing Southport Nursing Center to temporarily house 32 ACH beds during the development of Project I.D. # O-11187-16. The original capital cost for Project I.D # O-11187-16 will not change as a result of the proposed COS application. The capital cost for this project is solely for the temporary operation of 32 ACH beds while the combination nursing facility is under development.

In Section Q, page 58, the applicant provides the assumptions used to project the capital cost.

In Section F, pages 31-32, the applicant projects that start-up costs will be \$54,870 and initial operating expenses will be \$101,166 for a total working capital of \$156,036. On page 32, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

**Availability of Funds**

In Section F, page 30, the applicant states that the capital cost will be funded as shown in the table below.

<b>Sources of Capital Cost Financing</b>		
<b>Type</b>	<b>Southport Nursing Center, LLC</b>	<b>Total</b>
Loans	\$0.00	\$0.00
Accumulated reserves or OE *	\$821,000.00	\$821,000.00
Bonds	\$0.00	\$0.00
Other (Specify)	\$0.00	\$0.00
<b>Total Financing **</b>	<b>\$821,000.00</b>	<b>\$821,000.00</b>

\* OE = Owner's Equity

In Section F, page 32, the applicant states that the working capital needs of the project will be funded as shown in the table below.

<b>Sources of Financing for Working Capital</b>		<b>Amount</b>
(a)	Loans	\$0.00
(b)	Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$156,036.00
(c)	Lines of credit	\$0.00
(d)	Bonds	\$0.00
(e)	<b>Total *</b>	<b>\$156,036.00</b>

In supplemental information, Attachment A, the applicant provides a letter dated October 18, 2018, from John A. McNeill, Jr. and Ronald B. McNeill, which demonstrates their control of Liberty Healthcare Nursing Properties of Brunswick County, LLC and Southport Nursing Center, LLC and states that they are both committed to personally funding all capital costs and working capital costs for the proposed project from personal equity.

**Financial Feasibility**

In Tables X.4A and X.4B, pages 101-102, of Project I.D. # O-11187-16, the applicants provided the per diem reimbursement rate/charge and projected that revenues would exceed operating expenses in the first and second full FFYs following completion of the project.

In the current COS, the applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F, the applicant projects that operating expenses will exceed revenues in operating year one. However, the applicant projects that revenues will exceed operating expenses in the second and third operating years of the project, as shown in the table below.

	<b>1<sup>st</sup> Full Fiscal Year 10/1/2019- 9/30/2020</b>	<b>2<sup>nd</sup> Full Fiscal Year 10/1/2020- 9/30/2021</b>	<b>3<sup>rd</sup> Full Fiscal Year 10/1/2021- 9/30/2022</b>
Total Patient Days	8,868	10,950	10,950
Total Net Revenue	\$897,311.00	\$1,127,420.00	\$1,162,753.00
Average Net Revenue per day	\$101.19	\$102.96	\$106.19
Total Operating Expenses (Costs)	\$916,527.00	\$1,037,272.00	\$1,056,153.00
Average Operating Expense per day	\$103.00	\$95.00	\$96.00
Net Income	(\$23,607.00)	\$84,629.00	\$100,905.00

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding 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 and working 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 proposes a change of scope which would allow Southport Nursing Center to temporarily relocate and operate the 32 ACH beds in vacant space at Southport Nursing Center (formerly Doshier Nursing Center), in Brunswick County while the new 96-bed combination nursing facility is under development.

The applicant adequately demonstrates that the current COS would not result in an unnecessary duplication of existing or approved services in the service area because the applicant adequately demonstrated that the previously approved application would not result in unnecessary duplication of existing or approved health service capabilities or facilities.

**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 reasons stated above.

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

C

In Section Q, page 77, Form H, the applicant provides the projected staffing for the proposed services as illustrated in the following table.

	<b>1<sup>st</sup> Full Fiscal Year 10/1/2019- 9/30/2020</b>	<b>2<sup>nd</sup> Full Fiscal Year 10/1/2020- 9/30/2021</b>	<b>3<sup>rd</sup> Full Fiscal Year 10/1/2021- 9/30/2022</b>

Licensed Practical Nurse	1.50	2.00	2.00
Aides	10.00	12.50	12.50
Activities	0.75	0.75	0.75
Housekeeping	1.50	2.10	2.10
Plant Operations/Maintenance	1.00	1.00	1.00
Administration	1.00	1.00	1.00
<b>TOTAL*</b>	<b>16.00</b>	<b>19.00</b>	<b>19.00</b>

\*The applicant rounded the number FTE positions for the first year up from 15.75 to 16.00 FTE positions. For the second and third year the applicant rounded the FTE positions down from 19.35 to 19.00 FTE positions.

The assumptions and methodology used to project staffing are provided in Section Q and supplemental information. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.4, which is found in Section Q.

In Project I.D. # O-11187-16, the application was conforming to this criterion.

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

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

In Section I, page 40, the applicant states,

*“The applicants adequately demonstrated in [sic] approved application that the necessary ancillary and support services will be available and that proposed services will be coordinated with the existing health care system. Nothing has changed for this application.”*

In supplemental information the applicant provides a table which illustrates the providers of the proposed ancillary and support services.

In Project I.D. # O-11187-16, the application was conforming to this criterion and the applicant proposes no changes in the current change of scope application that would affect that determination.

### **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 reasons stated above.

- (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 Project I.D. # O-11187-16, the applicant proposed the development of a combination nursing facility by transferring 32 licensed ACH beds from The Commons at Brightmore, in New Hanover County and 64 NF beds from Doshier Nursing Center, in Brunswick County, to a proposed new facility in St. James, in the Lockwod Folly Township of Brunswick County. The total square footage of the proposed facility was projected to be 76,284 with 52 private NF beds, 12 semi-private NF beds, 16 private ACH beds and 16 semi-private beds. The applicant estimated the construction costs would be \$150.00 per square foot or \$11,442,600 ( $\$150.00 \times 76,284$  square feet = \$11,442,600), which corresponded to the projected capital costs in Section VIII. The applicant still proposes to develop the project, as approved in Project I.D. # O-11187-16.

In the current COS application, in Section K, page 42, the applicant proposes to renovate 21,820 square feet of existing space at Southport Nursing Center to accommodate the temporary operation of 32 ACH beds. The proposed space is vacant due to the relocation of 64 NF beds from the former Doshier Nursing Center (currently Southport Nursing Center). As the facility was previously used as a nursing facility, the applicant states the facility will require only "*minimal*" renovations which include new flooring, paint upgraded work stations, new lighting, renovation of the bathrooms and new signage. The applicant projects a total capital cost of \$821,000 for the temporary operation of the 32 ACH beds proposed in this COS application. Exhibit K.2 contains a copy of the floor plan for the proposed project.

On page 42, 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 K.2.

On pages 42-43, the applicant adequately explains 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 and provides supporting documentation in Exhibit K.4.

On page 43, the applicant states as the proposed COS project does not exceed \$2 million, therefore it is not necessary for the applicant to identify any applicable energy saving features that will be incorporated into the construction plans. However, in Project I.D. # O-11187-16, the applicant identified energy saving features that would be incorporated into the construction plans.

On pages 43-44, the applicant identifies the proposed site and provides 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
- 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.

(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

In Project I.D. # O-11187-16, this Criterion was deemed to be not applicable because the applicant proposed to develop a new facility. The applicant proposes no changes in the current COS application that would affect that determination

(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

In Project I.D. # O-11187-16, this Criterion was deemed to be not applicable because the applicant proposed to develop a new facility. The applicant proposes no changes in the current COS application that would affect that determination.

- (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 Project I.D. # O-11187-16, the application was conforming to this criterion and the applicant proposes no changes in the current COS application that would affect that determination.

The Agency reviewed the:

- Application
- Exhibits to the application

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 Project I.D. # O-11187-16, the application was conforming to this criterion and the applicant proposes no changes in the current COS application that would affect that determination.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

In Project I.D. # O-11187-16, the application was conforming to this criterion and the applicant proposes no changes in the current COS application that would affect that determination.

The Agency reviewed the:

- Application
- Exhibits to the application

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.

- (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

Project I.D. # O-11187-16 authorized the construction of a new combination nursing facility by relocating 32 ACH beds from The Commons at Brightmore located in New Hanover County and 64 NF beds from Doshier Nursing Center (now Southport Nursing Center) located in Brunswick County.

In the current application, the applicant proposes a change of scope which would allow Southport Nursing Center to temporarily relocate and operate the 32 ACH beds in vacant space at Southport Nursing Center (formerly Doshier Nursing Center), in Brunswick County while the new 96-bed combination nursing facility is under development.

In Project I.D. # O-11187-16, the application was conforming to this criterion and the applicant proposes no changes in the current COS application that would affect that determination.

The Agency reviewed the:

- Application
- Exhibits to the application

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 A.1, page 4, the applicant states that Liberty Long Term Care, LLC (Liberty) is the parent company of Southport Nursing Center, LLC. In Section A.10, pages 9-10, the applicant provides a list of its affiliates which include 26 nursing home facilities and 4 adult care homes located in North Carolina owned, operated or managed by the applicant or a related entity.

In Section O, pages 52-53, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in two of these facilities, The Terrance at Brightmore of South Charlotte and The Commons at Brightmore. The applicant states that all of the problems have been corrected as documented in Section O, pages 52-53. According to the files in the Adult Care Home 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 two of these facilities. After reviewing and considering information provided by the applicant and by the Adult Care Home Licensure Section and considering the quality of care provided at all 30 facilities, the applicant provided sufficient evidence that quality care has been provided in the past.

Additionally, the applicant was found conforming to this criterion in Project I.D. # O-11187-16. Therefore, the application is conforming to this criterion.

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

NA

The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services promulgated in 10A NCAC 14C .1100 are not applicable because the applicants do not propose to establish either new adult care home beds or new nursing facility beds