

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: February 26, 2019

Findings Date: February 26, 2019

Project Analyst: Celia C. Inman

Assistant Chief: Lisa Pittman

Project ID #: B-11610-18

Facility: The Landings of Hendersonville

FID #: 180506

County: Henderson

Applicants: Henderson Opco, LLC

Henderson Propco, LLC

Project: Acquire and relocate 15 ACH beds from Country Meadow Rest Home and 43 ACH beds from The Gardens of the Blue Ridge, pursuant to Policy LTC-2 in the 2018 SMFP, to create a new facility for a total of 58 ACH beds upon project completion

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §131E-183(a) The Agency shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

Henderson Opco, LLC and Henderson Propco, LLC, collectively referred to as “the applicants” propose to acquire and relocate 15 existing adult care home (ACH) beds from Country Meadow Rest Home (Country Meadow), located at 129 Hazelton Drive, and 43 ACH beds from The Gardens of the Blue Ridge (The Gardens), located at 913 9th Avenue West, to create The Landings of Hendersonville (The Landings), a new 58-bed ACH facility located on Duncan Hill Road. All three facilities are located in Hendersonville in Henderson County.

Table 11A of Chapter 11 of the 2018 State Medical Facilities Plan (SMFP) lists Country Meadow with 15 licensed ACH beds transferred to Winchester House. Winchester House (The Landings at Mills River) is listed as an 80-bed replacement facility for Winchester House #1

(30 beds), Winchester House #2 (10 beds), Country Meadow (15 beds) and Nana's Assisted Living Buncombe (25 beds) approved in Project ID #B-11047-15. A Material Compliance response letter, dated March 31, 2016 approved the development of The Landings of Mills River without the 15 Country Meadow beds, for a total of 65 ACH beds at The Landings of Mills River, which the 2018 SMFP refers to as Winchester House.

Table 11A of the 2018 SMFP shows Blue Ridge Retirement with 43 ACH beds. On June 11, 2018, Cardinal Propco II, LLC requested an Exemption for the acquisition of Blue Ridge Retirement, to be re-named The Gardens of the Blue Ridge upon acquisition. The Agency determined that the request was exempt from review on June 20, 2018.

Table 11A of the 2019 SMFP correctly identifies The Landings of Mills River with 65 ACH beds, composed of 30 beds from Winchester House #1, 10 from Winchester House #2, and 25 from Nana's Assisted Living. The table also identifies The Gardens of the Blue Ridge with 43 ACH beds and Country Meadow Rest Home with 15 beds.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2018 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

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

Policy LTC-2 states:

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

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

in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”

The applicants do not propose to relocate licensed ACH beds to a contiguous county. Rather, the applicants propose to relocate licensed ACH beds within the same county (Henderson). The number of licensed adult care home beds in Henderson County will not change as a result of the proposed acquisition and relocation. Therefore, the application is consistent with Policy LTC-2.

Policy GEN-4, on page 33 of the 2018 SMFP, states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

The proposed capital expenditure for this project exceeds \$5 million; therefore, Policy GEN-4 is applicable to this review. In Section B.10, pages 19-20, the applicants state that the proposed building will be constructed using the latest technologies to assure maximum energy efficiency, in compliance with the requirements of Policy GEN-4 in the SMFP. The applicants further include a written statement describing specifics related to energy and water usage efficiencies.

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

Conclusion

In summary, the applicants adequately demonstrate that the proposal is consistent with the 2018 SMFP Policy LTC-2 and Policy GEN-4.

The Agency reviewed the:

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

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

- the applicants adequately document that the relocation of existing ACH beds from Country Meadow and The Gardens to create The Landings of Hendersonville is consistent with Policy LTC-2, and
- the applicants 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.

- (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 acquire and relocate 15 ACH beds from Country Meadow and 43 ACH beds from The Gardens to the proposed new facility, The Landings, pursuant to Policy LTC-2, for a total of 58 ACH beds, upon project completion. The owners/applicants of The Landings are sister entities of the new owners/operators of The Gardens. Country Meadow was closed as of November 2017. Upon relocation of the 58 beds, there will be no remaining beds at Country Meadow or The Gardens.

In Section C.1, pages 21-23, the applicants discuss the scope of the project and the current and future provision of a comprehensive range of long-term care services for the residents at The Landings.

Patient Origin

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

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

The Landings will be developed as a 58-bed adult care home facility located in Henderson County. Thus, the service area for this project consists of Henderson County. Facilities may serve residents of counties not included in their service area.

In Section C.2, page 23, in reference to providing the historical patient origin for the existing ACH beds, the applicants state that they are unable to provide this information for the 58 ACH beds being relocated, because neither The Gardens nor Country Meadow were previously owned, operated or managed by the applicants or a related entity. The applicants state:

“Further, the license renewal applications for The Gardens of the Blue Ridge and Country Meadow Rest Home do not disclose information as it relates to patient origin, so the applicants were unable to obtain this information.”

The applicants state that Country Meadow has not had residents residing in the facility since 2016. The 2018 SMFP shows the beds at Country Meadow closed and as part of a CON transfer of beds to a Winchester House replacement facility (Project ID #B-11047-15); however, the 2019 SMFP correctly shows that the 15 Country Meadow beds which were approved as part of the 80-bed replacement facility to be developed as The Landings of Mills River (originally called Winchester House) were subsequently excluded through a Material Compliance, dated March 31, 2016.

In Section C.3, page 24, the applicants provide the projected patient origin for the 58 ACH beds that are being proposed to be relocated to The Landings of Henderson, as summarized below.

**The Landings of Hendersonville
Projected Patient Origin for 58 Relocated ACH Beds**

County	General ACH Beds	
	# of Patients	% of Total
Buncombe	3	5%
Cabarrus	1	2%
Chatham	1	2%
Cleveland	1	2%
Cumberland	1	2%
Henderson	40	67%[69%]
Jackson	1	2%
Mecklenburg	1	2%
Mitchell	1	2%
Orange	1	2%
Outside of NC	2	3%
Polk	1	2%
Randolph	1	2%
Rutherford	1	2%
Transylvania	2	3%
TOTAL	58	100%

Source: Application, page 24
Totals may not sum due to rounding

On page 24, the applicants state that they were unable to rely on population statistics related to the previous patient origin utilization of the 58 ACH beds at The Gardens of Blue Ridge and Country Meadow Rest Home because that data was unavailable to them.

The applicants state that the projected patient origin for the 58 beds to be relocated was based upon information from two other ACH facilities within Henderson County, Winchester House and Cherry Springs Village, both of which were managed by the applicant's related entity, Affinity Living Group. Exhibit C.3 contains the data utilized by the applicants to project the patient origin.

The applicants' assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 25-32, the applicants explain why they believe Henderson County and the population projected to utilize the proposed services need the proposed services. The applicants describe the key factors which they state drive the need for the proposed project, as listed below:

- the current deficit of ACH beds and a high demand for such beds in Henderson County (pages 25-27);
- Henderson County's growing senior population (pages 28-29);
- the poor condition of the existing Country Meadow and The Gardens facilities (pages 29-31), and

- community support to relocate 58 ACH beds in Henderson County (pages 31-32).

The applicants provide supporting documentation for the above factors in Exhibit C.11.

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

- The 2018 SMFP shows a deficit of 91 ACH beds in Henderson County.
- The applicants demonstrate that except for three underutilized ACH facilities, including The Gardens and Country Meadow, and The Laurels of Hendersonville, a skilled nursing facility; the other nine ACH facilities in Henderson County are reasonably well-utilized with utilization rates of 77% up to 95%, indicating a strong demand for ACH beds in Henderson County.
- The applicants demonstrate that based on the North Carolina Office of State Budget and Management (NCOSBM) estimates, Henderson County's total population of seniors (aged 65 and older) is expected to rise from 28,315 individuals in 2015 to 43,808 in 2037, an increase of approximately 54.7%. The applicants state that seniors 75 and older will also nearly double in population during that period. The applicants demonstrate that by 2037, Henderson County will have a need for 991 ACH beds, almost double the number currently available.
- The applicants discuss the age, disrepair, and uninviting appearance of the current facilities housing the beds to be relocated. The applicants provide documentation of the poor condition of the existing facilities, including Division of Health Service Regulation (DHSR) Adult Care Licensure Section (ACLS) Statement of Deficiencies in Exhibits C.7 through C.10.
- The applicants discuss their correspondence with Henderson County officials, local health agencies, businesses, and individuals who support the proposed project and provide documentation in Exhibit C.11.

Projected Utilization

In Section Q, the applicants provide the historical and projected utilization for the proposed service. Section C. 7 requires the completion of Form C Utilization, which is found in Section Q. The applicants project that the project will be complete and begin offering services on October 1, 2020; therefore the first three full FFY after completion of the project would be October 1, 2020 – September 30, 2021, October 1, 2021 – September 30, 2022, and October 1, 2022 – September 30, 2023, respectively. The applicants' historical and projected utilization provided in Section Q, Form C is summarized below.

**The Landings of Hendersonville
 Form C Utilization**

	Last FFY (8/1/16-7/31/17)	Interim Period 8/1/17-9/30/20	1st Full FFY 10/1/20-9/30/21	2nd Full FFY 10/1/21-9/30/22	3rd Full FFY 10/1/22-9/30/23
General ACH Beds					
# of Beds	58	n/a	58	58	58
Patient Days	18,034	n/a	11,498	20,166	20,440
Occupancy Rate	85.2%	n/a	54.3%	95.3%	96.6%
SCU ACH Beds					
# of Beds	0	0	0	0	0
Patient Days	0	0	0	0	0
Occupancy Rate	0.0%	0.0%	0.0%	0.0%	0.0%
Total ACH Beds					
# of Beds	58	n/a	58	58	58
Patient Days	18,034	n/a	11,498	20,166	20,440
Occupancy Rate	85.2%	n/a	54.3%	95.3%	96.6%

The applicants provide the twelve-month period from August 1, 2016 through July 31, 2017 for the Last FFY, and do not include the interim years between the last FFY prior to submission of the application and the first FFY following completion of the project (August 2017 through September 2020). The applicants state on page 23 that Country Meadow has not had residents residing in the facility since 2016. Country Meadow’s 2018 LRA shows nine residents, as of July 31, 2017 and states that the facility closed November 30, 2017; therefore, there would be no data for that facility in the interim period. The Agency does not have a 2018 LRA on file for The Gardens. The applicants provided the Agency with prior notification of the acquisition of The Gardens on June 11, 2018. On page 23, the applicants further state that they do not have access to more recent utilization data on The Gardens.

As shown in the table above, the applicants project the occupancy rate for the relocated 58 general ACH beds will be 95.3% in the second full FFY of operation following completion of the project.

In Section C.7, page 34, the applicants state that its utilization assumptions are based upon the experience of its management company, Affinity Living Group, and the development of a similarly-sized facility in New Hanover County, New Hanover House. The applicants provide New Hanover House’s assumptions in Exhibit C.12 and provide the general assumptions for this project in Exhibit Q.2, as summarized below:

- The proposed ACH facility will open with 5 beds. The fill-up rate is an average of 3 residents per month until the ACH beds fill.
- The ACH beds are considered full at 96% in January 2022. [Project Analyst’s calculations show the project reaches 96% utilization in March 2022.]
- Sixty percent of the residents will receive State/County Assistance.

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

- Projected utilization is based upon the historical experience of the applicants’ management company, Affinity Living Group, in the development of a like-sized facility.
- The fill-up rate of three ACH patients per month is reasonable based on Affinity Living Group’s experience and the applicants’ projected need.

Access

In Section C.8, page 34, the applicants state:

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

Otherwise, all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment. The new facility will maintain a Medicaid/Special Assistance-recipient population similar to the facilities from which the beds are sought to be relocated. In the event that an individual who is a private payor becomes eligible for Medicaid, the facility will not discharge said resident and will accept Medicaid. The facility will also assist any family who needs to apply for Medicaid to gain admission to the facility.”

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

**The Landings of Hendersonville
General ACH Beds
10/1/22-9/30/23**

County	ACH Bed Days of Care	Percent of Total Days of Care
Private Pay	8,030	39.34%
County Special Assistance	12,410	60.80%
TOTAL	20,410	100.00%

In Section G.2, pages 48-49, the applicants provide data showing that 39.99% of Henderson County’s ACH bed days were Medicaid/Special Assistance (SA) and 60.01% were private pay in FY2017, based on information the applicants state was acquired from the 2018 LRAs for each Henderson County facility. In Section C.7, page 34, the applicants state that they also acquired data from Affinity Living Group on a similar-sized facility for projection assumptions related to census.

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

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

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

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

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

C

The applicants propose to relocate 15 existing ACH beds from Country Meadow and 43 existing ACH beds from The Gardens to The Landings, pursuant to Policy LTC-2, for a total of 58 ACH beds upon project completion.

In Section D, pages 38-39, the applicants explain why they believe the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 38, the applicants state:

“With regard to short-term needs, there are no current residents at Country Meadow Rest Home (15 ACH Beds), so there is no effect on any residents or patients at that adult care home. As far as The Gardens of the Blue Ridge (43 ACH Beds) is concerned, the proposed management company of the project, Affinity Living Group, has already made arrangements to relocate any and all residents residing at The Gardens of the Blue Ridge to other adult care home communities within Henderson County, including Cherry Springs Village and The Landings of Mills River.”

With regard to long-term needs, the applicants state that Henderson County residents in need of ACH services will be met in a substantially better fashion by the proposed brand-new, state-of-the-art ACH in Henderson County rather than the current underutilized options available at The Gardens and Country Meadow.

In Section Q, the applicants provide Form D, showing nothing for historical or projected Utilization at either Country Meadow or The Gardens. The Country Meadow 2018 Licensure Renewal Application (LRA) shows the facility closed as of November 30, 2017. The Agency does not have a 2018 LRA on file for The Gardens. The Garden's 2017 LRA shows 34 residents at that time. In 2017, neither Country Meadow, nor The Gardens were owned, operated, or managed by entities related to the applicants; therefore, the applicants had limited data available for prior years.

Conclusion

The Agency reviewed the:

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

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

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

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

CA

The applicants propose to relocate 15 existing ACH beds from Country Meadow and 43 existing ACH beds from The Gardens to The Landings, pursuant to Policy LTC-2, for a total of 58 ACH beds upon project completion.

In Section E.2, pages 41-42, the applicants describe the alternatives considered and explain why each alternative is less effective or more costly than the proposed alternative. The alternatives considered were:

- Maintain the Status Quo
- Renovate the existing facilities
- Relocate the Beds and Construct The Landings of Hendersonville as Proposed

On pages 40-42, the applicants state that the project as proposed is the most effective alternative for the following reasons:

- Maintain the status quo – keeping 58 under-utilized licensed ACH beds in place, with 43 beds in an older facility in visibly poor condition and the other facility closed, does nothing to promote the well-being of the population proposed to be served.
- Renovating the existing facilities would be a prohibitively expensive process with fewer benefits than constructing an up-to-date facility in a different location in Henderson County.
- Constructing a new, state-of-the-art facility to house the relocated 15 ACH beds from the closed Country Meadow facility and the 43 ACH beds from The Gardens, combined in one facility, is the most economically feasible alternative to provide a high quality of care to residents and maximize the utilization of the beds.

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

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

Conclusion

The Agency reviewed the:

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

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

- 1. Henderson Opco, LLC and Henderson Propco, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Henderson Opco, LLC and Henderson Propco, LLC shall acquire and relocate no more than 15 adult care home (ACH) beds from Country Meadow Rest Home and 43 ACH beds from The Gardens of The Blue Ridge, pursuant to Policy LTC-2 for a total of no more than 58 licensed ACH beds at The Landings of Hendersonville upon completion of this project.**

3. **Henderson Opco, LLC and Henderson Propco, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
 4. **Henderson Opco, LLC and Henderson Propco, LLC shall 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.**
 5. **For the first two years of operation following completion of the project, Henderson Opco, LLC and Henderson Propco, LLC shall not increase private pay charges more than 5% of the projected private pay charges provided in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
 6. **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, Henderson Opco, LLC and Henderson Propco, 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.**
 7. **Henderson Opco, LLC and Henderson Propco, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicants propose to relocate 15 existing ACH beds from Country Meadow and 43 existing ACH beds from The Gardens to The Landings of Hendersonville, pursuant to Policy LTC-2, for a total of 58 ACH beds upon project completion.

Capital and Working Capital Costs

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

Projected Capital Cost

Site Costs	\$1,300,000
Construction Costs	\$2,520,000
Miscellaneous Costs	\$1,525,000
TOTAL CAPITAL COST	\$5,345,000

In Section F.1(b), the applicants refer to Exhibit Q.1 for assumptions and Exhibit Q.2 for worksheets. Exhibit K.1 contains the conceptual site plan with proposed line drawings, as prepared by Sherman Architecture.

In Section F.3, pages 44-45, the applicants provide the estimated start-up expenses of \$0 and the initial operating expenses of \$384,526 for a total working capital of \$384,526 associated with the project.

Availability of Funds

In Section F.2, page 43, the applicants state that they anticipate funding the total project capital costs as shown in the table below.

Sources of Capital Cost Financing

Type	Total
Loans	\$5,345,000
Accumulated reserves or OE *	
Bonds (Tax Exempt)	
Other (Specify)	
Total Financing	\$5,345,000

* OE = Owner's Equity

In Section F.3, page 45, the applicants state that they anticipate funding the working capital costs as shown in the table below.

Type	Total
Loans	\$384,526
Accumulated reserves or OE *	
Bonds (Tax Exempt)	
Other (Specify)	
Total Financing	\$384,526

* OE = Owner's Equity

Documentation of the availability of funding is provided in Exhibits F.1 through F.4, including letters dated September 27, 2018 from the Managing Director of Locust Point Capital attesting to its on-going relationship with the applicants and its comfort in funding the capital and working capital cost for the proposed project and the amortization schedules associated with the proposed loans. The applicants adequately demonstrate that sufficient funds will be available for the capital and working capital needs of the proposed project.

Financial Feasibility

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

	FFY2021	FFY2022	FFY2023
Resident Days	11,498	20,166	20,440
Total Gross Revenue (Charges)	\$1,136,160	\$1,919,970	\$1,941,840
Adjustments to Gross Rev (Bad Debt)	\$11,362	\$19,200	\$19,418
Total Net Revenue	\$1,124,798	\$1,900,770	\$1,922,422
Average Net Revenue per Day	\$98	\$94	\$94
Total Operating Expenses (Costs)	\$1,342,490	\$1,551,604	\$1,553,608
Average Operating Expense per Day	\$117	\$77	\$76
Net Income	(\$217,692)	\$349,166	\$368,814

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

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application

for the assumptions used regarding costs and charges. The discussion regarding utilization projections found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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

- The applicants adequately demonstrate that the capital costs are based on reasonable and adequately supported assumptions.
 - The applicants adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal.
 - The applicants adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicants propose to relocate 15 existing ACH beds from Country Meadow and 43 existing ACH beds from The Gardens to The Landings of Hendersonville, pursuant to Policy LTC-2, for a total of 58 ACH beds upon project completion.

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

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

Both existing adult care home facilities from which the beds will be relocated and the proposed facility are located in Henderson County. Thus, the service area for this project consists of Henderson County. Facilities may serve residents of counties not included in their service area.

The 2018 SMFP lists 16 facilities in Henderson County that offer ACH services, including The Laurels of Hendersonville, a nursing facility with licensed ACH beds. Of those facilities, Country Meadow is shown as closed in the 2018 SMFP.

The table below is a summary of ACH beds in Henderson County. The table is recreated from the 2018 SMFP, Chapter 11, Table 11A, pages 223-224 and Table 11B, page 239. There is a projected deficit of 91 ACH beds in 2021 for Henderson County.

2018 SMFP ACH INVENTORY AND 2021 NEED PROJECTIONS FOR HENDERSON COUNTY	
# Operational ACH Facilities*	12
# Beds in ACH Facilities	573
# Beds in Nursing Facilities	20
Total Licensed Beds	593
# CON Approved Beds (License Pending)	25
Total # Available	618
Total # in Planning Inventory	602
Projected Bed Utilization Summary	693
Projected Bed Surplus (Deficit)	(91)

Source: 2018 SMFP

*Excludes The Laurels of Hendersonville Nursing Facility and includes Winchester House after the CON transfer of beds from Country Meadow Winchester House #1 and Winchester House #2.

In Section G, pages 48-49, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved adult care services in Henderson County. On page 48, the applicants provide a listing of the facilities in Henderson County that provide adult care services, as shown in Table 11A, Chapter 11 of the 2018 SMFP. On pages 48-49, the applicants provide a table based on data provided in the individual facilities' LRAs that shows a county-wide occupancy rate of 67.8% with 39.99% of the resident days being Medicaid/Special Assistance and 60.01% being private pay.

On page 49, the applicants state:

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

The applicants adequately demonstrate that the relocation of the Policy LTC-2 beds to The Landings will not result in an unnecessary duplication of the existing or approved services in Henderson County for the following reasons:

- The 2018 SMFP shows a deficit of 91 ACH beds in Henderson County,
- the applicants adequately demonstrate that the 58 ACH beds are not being utilized at the potential that they could be in a new facility,
- the applicants adequately demonstrate the need that current and projected assisted living residents will have for the 58 relocated Policy LTC-2 beds, and
- the applicants adequately demonstrate that the relocated ACH beds are needed in addition to the existing and/or approved ACH beds.

Conclusion

The Agency reviewed the:

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

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

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

C

In Section Q, Form H, page 87, the applicants provide projected staffing for the proposed services by full-time equivalent (FTE) position, as summarized in the following table.

**Projected FTE Positions
The Landings of Hendersonville**

Staff Position	FFY2021	FFY2022	FFY2023
Registered Nurses	0.5	0.5	0.5
Aides	9.5	12.6	12.6
Staff Development Coordinator	1.0	1.0	1.0
Clerical	1.3	1.4	1.4
Dietary	3.4	3.7	3.7
Activities	0.8	1.0	1.0
Transportation	0.6	0.9	0.9
Laundry and Linen	0.6	0.6	0.6
Housekeeping	1.6	1.8	1.8
Plant Operation & Maintenance	0.8	0.9	0.9
Administration	1.0	1.0	1.0
Total FTE Positions	21.1	25.4	25.3

Totals may not sum due to rounding
Source: Form H in Section Q of the application

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

In Section H, pages 50-51, the applicants discuss the availability of staff, recruitment methods, and staff training. In Exhibit H.1, the applicants provide a letter from Doctors Making Housecalls confirming support for the project and intent to provide medical care to the residents of The Landings.

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

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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 C.1, pages 21-23, the applicants discuss the necessary ancillary and support services needed and how the services will be provided at The Landings of Hendersonville. In Section I.1, page 52, the applicants state that the facility will coordinate rehabilitative care through existing relationships. In Section I.2(b), page 52, the applicants state that the facility's proposed management company, Affinity Living Group, has pre-existing relationships with a number of physicians and rehabilitation groups operating in Henderson County.

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

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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

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

NA

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

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO.

In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

The 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

The applicants propose to relocate 15 existing ACH beds from Country Meadow and 43 existing ACH beds from The Gardens to The Landings, pursuant to Policy LTC-2, for a total of 58 ACH beds upon project completion.

In Section K, page 55, the applicants state that the project involves 27,522 square feet of new construction. Proto-type line drawings of the proposed facility, prepared by Sherman Architecture, are provided in Exhibit K.1.

On pages 55-58, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal. The proposed capital costs including construction costs are provided by the applicant in Sections F and Q of the application.

In Section K.3, pages 55-56, the applicants state that the project will not unduly increase the costs of providing adult care services because the construction of the proposed facility is less expensive than the other alternatives for utilizing the 58 beds, the construction is of reasonable size, and will be energy efficient. Based on information provided in Section Q, consolidating the 58 beds into one facility will result in a more effectively managed facility than the two separate facilities and improve the cost efficiency of providing adult care services.

On pages 56-57, the applicants identify any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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

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

C

In Section L.1(b), page 59, the applicants provide the historical payor mix during August 1, 2016 through July 31, 2017 for the 43 ACH beds to be relocated from The Gardens and the 15 ACH beds to be relocated from County Meadow, as summarized below.

**ACH Beds Payor Mix
FFY2017**

	Percent of Total Days
Private Pay	25%
County Assistance	75%

Country Meadow's 2018 LRA shows nine residents, as of July 31, 2017, and 5,021 bed days, with 16.5% being private pay and 83.5% being special assistance. The facility was closed as of November 2017. The Agency does not have a 2018 LRA on file for The Gardens.

In Section L.1(a), page 59, the applicants provide the following comparison of patients served to the service area population.

Last Full FFY

	Percent of Total Patients Served	Percent of SA Population
Female	47%	71%
Male	53%	29%
64 and Younger	45%	20%
65 and Older	55%	80%

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 60, the applicants state they have no obligation to provide such care.

In Section L.2(d), page 60, the applicants state that no civil rights access complaints have been filed against the applicants and/or any similar facilities owned by a related entity in North Carolina in the last five year.

The agency reviewed the:

- application, and
- exhibits to the application.

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

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

C

In Section L.3, page 60, the applicants provide data showing projected payor mix in the third year of operation, FFY2023, as summarized below.

**The Landings of Hendersonville
ACH Beds Payor Mix
FFY2023**

	General ACH Beds	Percent of Total
Private Pay	8,030	39%
County Assistance	12,410	61%
Total	20,440	100%

As shown in the table above, the applicants project that the payor mix for its general ACH beds will be 39% private pay and 61% county assistance. In Section G.2, pages 48-49, the applicants provide data showing that 39.99% of Henderson County's ACH bed days were Medicaid/Special Assistance and 60.01% were private pay in FY2017, based on information the applicants state was acquired from the 2018 LRAs for each Henderson County facility.

In Section C.7, page 34, the applicants state that they acquired data from Affinity Living Group on a similar-sized facility for projection assumptions related to census. The applicants state that the assumptions related to payor mix are provided in Exhibits Q.1 and Q.2.

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

- the applicants provide the August 2016 to July 2017 payor mix for Country Meadow and The Gardens,
- the applicants propose to serve approximately 61% of the 58 relocated beds through county assistance, and
- the applicants use the experience of sister entity, Affinity Living Group management company, for the basis of their projections.

The Agency reviewed the:

- application, and
- 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 Section L.5, page 61, the applicants adequately describe the range of means by which patients will have access to Guilford House adult care beds.

The Agency reviewed the:

- application, and
- 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 Section M.1, page 62, the applicants describe the extent to which area health professional training programs will have access to the facility for training purposes. The applicants state that the management company, Affinity Living Group, encourages partnerships with local health professional training programs, which affords certified nursing assistants and nursing students the opportunity to complete their clinical assignments onsite at its facilities.

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the needs of health professional training programs in the area; therefore, the application is conforming to this criterion.

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

impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicants propose to relocate 15 existing ACH beds from Country Meadow and 43 existing ACH beds from The Gardens to The Landings of Hendersonville, pursuant to Policy LTC-2, for a total of 58 ACH beds upon project completion.

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

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

Both existing adult care home facilities from which the beds will be relocated and the proposed facility are located in Henderson County. Thus, the service area for this project consists of Henderson County. Facilities may serve residents of counties not included in their service area.

The 2018 SMFP lists 16 facilities in Henderson County that offer ACH services, including The Laurels of Hendersonville, a nursing facility with licensed ACH beds. Of those facilities, Country Meadows is shown as closed in the 2018 SMFP.

The table below is a summary of ACH beds in Henderson County. The table is recreated from the 2018 SMFP, Chapter 11, Table 11A, pages 223-224 and Table 11B, page 239. There is a projected deficit of 91 ACH beds in 2021 for Henderson County.

2018 SMFP ACH INVENTORY AND 2021 NEED PROJECTIONS FOR HENDERSON COUNTY	
# Operational ACH Facilities*	12
# Beds in ACH Facilities	573
# Beds in Nursing Facilities	20
Total Licensed Beds	593
# CON Approved Beds (License Pending)	25
Total # Available	618
Total # in Planning Inventory	602
Projected Bed Utilization Summary	693
Projected Bed Surplus (Deficit)	(91)

Source: 2018 SMFP

*Excludes The Laurels of Hendersonville Nursing Facility and includes Winchester House after the CON transfer of beds from Country Meadow Winchester House #1 and Winchester House #2.

In Section N, page 63, the applicants describe the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition will promote the cost-effectiveness, quality and access to the proposed services. The applicants state:

“The proposed project will have a positive effect on competition in the area, as the demand for these 58 ACH beds may encourage other facilities with poor utilization in Henderson County to improve their current situations in order to compete with the proposed project. It will also allow for additional options within Henderson County.”

On page 62, the applicants list numerous ways that they believe the bed addition will enhance cost effectiveness and quality of care, including offering competitive rates, and minimizing construction costs while offering premium services.

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

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

Conclusion

The Agency reviewed the:

- application, and
- 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 Exhibit O.1, pages 208-210, the applicants list 85 North Carolina ACH facilities owned, operated, or managed by a related entity, showing eight facilities with Type A violations and penalties received during the 18 months immediately preceding the submittal of the application. In Section O.3(b)(ii), page 66, the applicants state:

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

According to the files in the Adult Care Licensure Section, DHSR, all of the applicants’ facilities in which incidents related to quality of care occurred during the 18 months immediately preceding submission of the application through the date of this decision are currently back in compliance. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided by the applicants, 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.

NA

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