

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: June 7, 2019

Findings Date: June 7, 2019

Project Analyst: Gregory F. Yakaboski

Assistant Chief: Lisa Pittman

Project ID #: F-11653-19

Facility: The Landings of Salisbury

FID #: 190081

County: Rowan

Applicant(s): Salisbury Opco, LLC

Salisbury Propco Holdings, LLC

Project: Relocate all 106 ACH beds from Kannon Creek Assisted Living, to the replacement facility, The Landings of Salisbury, for a total of no more than 106 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

Salisbury Opco, LLC and Salisbury Propco Holdings, LLC, the applicants, propose to relocate all 106 existing adult care home (ACH) beds from Kannon Creek Assisted Living, located at 1808 N. Cannon Boulevard, Kannapolis, to The Landings of Salisbury, a new ACH facility to be located at 645 Julian Road, Salisbury. Both the existing and proposed replacement facility locations are in Rowan County.

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 2019 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2019 SMFP which is applicable to this review: *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.*

Policy GEN-4, on page 31 of the 2019 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, page 19, the applicants state that the proposed building addition will be constructed using the latest technologies to assure maximum energy efficiency, in compliance with the requirements of Policy GEN-4 in the SMFP. The applicants further include a written statement describing specifics related to energy and water usage efficiencies. The applicants adequately demonstrate that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

Conclusion

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

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 following reasons:

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the applicants provide a written statement that demonstrates that the project includes a plan for energy efficiency and water conservation.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicants propose to relocate all 106 existing ACH beds from Kannon Creek Assisted Living, located at 1808 N. Cannon Boulevard, Kannapolis, to The Landings of Salisbury, a new replacement ACH facility to be located at 645 Julian Road, Salisbury. Both the existing and proposed facility locations are in Rowan County.

Patient Origin

On page 219, the 2019 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.”

Thus, the service area for this project consists of Rowan County. Facilities may serve residents of counties not included in their service area.

In Section C.2, page 23, the applicants state they do not have historical patient origin information for the existing, but not utilized, ACH beds at Kannon Creek Assisted Living because the facility was neither owned nor managed by the applicants or their management company. Further, the applicants state that the prior owner did not collect such information. The 2019 license renewal

application (LRA) did not contain patient origin information as patient origin disclosures were still optional in the 2019 LRAs.

In Section C.3. page 24, the applicants provide a table showing projected patient origin for the proposed ACH facility for the third full operating year (OY) (FFY2025), as summarized below.

**The Landings of Salisbury
Projected Patient Origin (FFY2025)**

County	# of ACH Patients	% of Total
Rowan	76	72%
Cabarrus	6	6%
Davidson	6	6%
Burke	2	2%
Caldwell	2	2%
Davie	2	2%
Iredell	2	2%
Stanly	2	2%
Catawba	1	1%
Duplin	1	1%
Forsyth	1	1%
Sampson	1	1%
Outside NC	4	4%
TOTAL	106	100%

Source: Table on page 24 of the application.
Totals may not sum due to rounding

In Section C, page 24, the applicants provide the assumptions and methodology used to project its patient origin. The applicants assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 24-32, the applicants explain why they believe the population projected to utilize the proposed services needs the proposed services. The applicants describe the key factors which they state drive the need for the proposed project, as listed below:

- Rowan County lacks high-quality, affordable assisted living options. (pages 25-26).
- Salisbury in particular and Rowan County in general have a need for additional special assistance/Medicaid ACH beds. (pages 26-28).
- The number of licensed ACH beds in Rowan County does not accurately reflect the need and the ability to meet that need for affordable, accessible ACH beds in Rowan County (See pages 29-31)
 - Some facilities in Rowan County consider themselves to be “fully occupied” at less than 100% of their licensed bed capacity, due to outdated facility footprints, which creates an inaccurate picture of beds available on paper but not in function.

- Many of the ACH beds in Rowan County are not appropriate or desired by many ACH residents.
- The 106 ACH beds associated with Kannon Creek Assisted Living are currently not operational and not available to patients.
- Demand for ACH services is expected to increase over time because the older population segments in Rowan County are expected to grow significantly (pages 31-32).

The applicants provide supporting documentation for the above factors in Exhibits C.1 through C.7.

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

- The applicants provide data to demonstrate that the Rowan County population that is 65 years old and older is projected to grow significantly over the next 20 years.
- The applicants demonstrate that only 28.99% of the total possible bed days in the existing ACH facilities in Rowan County are being utilized by residents on Special Assistance/Medicaid.
- The applicants provided data that for the greater Salisbury area there are currently only approximately 33 ACH beds available or being utilized by patients receiving Special Assistance/Medicaid for a city of 34, 000 residents.
- The applicants provided data as to where the patients discharged by the previous owner of Kannon Creek Assisted Living were placed showing that 35 of the last 48 patients were placed in ACH beds outside of Rowan County and in facilities that had either a zero star rating or low star ratings with respect to regulatory compliance.

Projected Utilization

In Section Q, the applicant provides projected utilization, as illustrated in the following table.

**The Landings of Salisbury
 Projected Utilization**

	1st Full FFY 10/1/22-9/30/23	2nd Full FFY 10/1/23-9/30/24	3rd Full FFY 10/1/24-9/30/25
General ACH Beds			
# of Beds	106	106	106
Patient Days	11,498	24,659	33,334
Occupancy Rate	29.7%	63.7%	86.2%
SCU ACH Beds			
# of Beds	na	na	na
Patient Days	na	na	na
Occupancy Rate	na	na	na
Total ACH Beds			
# of Beds	106	106	106
Patient Days	11,498	24,659	33,334
Occupancy Rate*	29.7%	63.7%	86.2%

Note: Occupancy Rate is calculated as follows: Patient days/ # of Beds x 365 days.
 Source: Section Q, Form C, page 69 of the application.

As shown in the table above, the applicants project the occupancy rate for the total ACH beds at the proposed facility will be 86.2% in the third full year of operation of the project.

In Section Q, the applicant provides the assumptions and methodology used to project utilization in Exhibit Q.1, page 150, as summarized below:

- The applicants project that the project will be complete and begin offering services on October 1, 2022.
- The first three full FFY after completion of the project would be October 1, 2022 – September 30, 2023 (OY1), October 1, 2023 – September 30, 2024 (OY2), and October 1, 2024 – September 30, 2025 (OY3).
- The facility will open with 15 reserved beds and the bed fill-up rate is projected to be an average of 3 residents per month until the ACH beds fill.
- The ACH beds are considered full at 90.6% in the third full FFY [Note: the actual projected occupancy rate at the end of the third full FFY (2025) is 86.5%. The difference is not material.]

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

- Projected utilization is based upon historical utilization experience at similar facilities, combined with projected facility growth.
- The fill-up rate of three ACH patients per month is reasonable based on the historical experience of the applicants at similar facilities and the applicants' projected need.

- Projecting to open with 15 reserved beds is reasonable based on the fact that 35 patients who were discharged from Kannon Creek Assisted Living were relocated to beds outside of Rowan County.

Access

In Section C.8, page 35, 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.”

In Section L, pages 59, the applicants project the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

The Landings of Salisbury OY3 (FFY2025)

Payor Category	Services as Percent of Total Days
County Assistance	60.42%
Private Pay	39.58%
Total	100.0%

Source: Table on pages 59-60 of the application.

The projected payor mix is reasonable and adequately supported.

Conclusion

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 following reasons:

- The applicants adequately identify the population to be served.
- The applicants adequately explain why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicants project the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately support their 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 106 existing ACH beds from Kannon Creek Assisted Living, located at 1808 N. Cannon Boulevard, Kannapolis, to The Landings of Salisbury, a new ACH facility to be located at 645 Julian Road, Salisbury. Both the existing and proposed facility locations are in Rowan County.

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:

“Currently, there are no residents or patients utilizing the 106 ACH Beds at Kannon Creek Assisted Living since that facility closed effective November, 2018.”

In Exhibit C.3, the applicant provides a letter from the prior owner of Kannon Creek Assisted Living stating that the facility ceased operations in November 2018 and the facility discharged all of its remaining residents between October 2018 and November 2018.

In Section D, page 39, the applicant states

“Relocating the 106 ACH Beds from Kannon Creek Assisted Living will only have a positive effect on all members of the [medically underserved] groups. At present, those beds are completely unutilized, meaning they are serving no one, including those in the above groups. Utilization of those beds in a new facility, which the Applicants propose to do, will increase access for unserved and underserved seniors to adult care services in Rowan County. The Applicants have a thorough nondiscrimination policy and will accept residents on Medicaid or Special Assistance, meaning those individuals in the above groups will certainly benefit from the new facility.”

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately demonstrate that:

- 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 106 existing ACH beds from Kannon Creek Assisted Living, located at 1808 N. Cannon Boulevard, Kannapolis, to The Landings of Salisbury, a new ACH facility to be located at 645 Julian Road, Salisbury. Both the existing and proposed facility locations are in Rowan County.

In Section E, page 41, the applicants state that there were no alternative methods for meeting the needs for the proposed project.

On page 41, the applicants state that the proposal is the most effective alternative because

- The existing facility, Kannon Creek Assisted Living, has ceased operations since October, 2018 with all residents discharged.
- When last operational the facility only supported 88 ACH beds of the licensed 106 ACH beds.
- When last operational, the facility had 2 private rooms, 16 semi-private rooms and 24 triple occupancy rooms for a total of 42 rooms. If operations were to continue at the facility most likely each of the 42 rooms would have to be used as single occupancy rooms to maintain high quality of care, for a total of only 42 functional ACH beds.
- The physical condition of the facility is poor and the cost of renovation and capital improvement to bring the facility back into compliance is cost-prohibitive.

The applicants provide supporting documentation in Exhibits C.5 and C.6.

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 application is conforming to all statutory and regulatory review criteria.
- The applicants provide credible information to explain why it believes the proposed project is the most effective alternative.

Conclusion

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. Therefore, the application is approved subject to the following conditions:

- 1. Salisbury Opco, LLC and Salisbury Propco Holdings, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Salisbury Opco, LLC and Salisbury Propco Holdings, LLC shall relocate no more than 106 adult care home beds to a new facility, The Landings of Salisbury, for a total of no more than 106 licensed adult care home beds upon completion of the project.**
- 3. Salisbury Opco, LLC and Salisbury Propco Holdings, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
- 4. For the first two years of operation following completion of the project, Salisbury Opco, LLC and Salisbury Propco Holdings, LLC shall not increase private pay charges more than 5% of the projected private pay charges provided in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 5. Salisbury Opco, LLC and Salisbury Propco Holdings, 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.**
- 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, Salisbury Opco, LLC and Salisbury Propco Holdings, LLC shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
- 7. Salisbury Opco, LLC and Salisbury Propco Holdings, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**

- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicants propose to relocate 106 existing ACH beds from Kannon Creek Assisted Living, located at 1808 N. Cannon Boulevard, Kannapolis, to The Landings of Salisbury, a new ACH facility to be located at 645 Julian Road, Salisbury. Both the existing and proposed facility locations are in Rowan County.

Capital and Working Capital Costs

In Section Q, page 71, the applicant projects the total capital cost of the project as shown in the table below.

Site Costs	\$1,162,500
Construction Costs	\$6,300,000
Miscellaneous Costs	\$1,350,106
Total	\$8,812,606

In Exhibits Q.1 and Q.2, the applicant provides the assumptions used to project the capital cost.

In Section F, page 43, the applicant projects that start-up costs will be \$0.00 and initial operating expenses will be \$866,801.10 for a total working capital of \$866,801.10. In Exhibits Q.1 and Q.2, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

Availability of Funds

In Section F, page 42, the applicants state that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Salisbury Propco, LLC	Total
Loans	\$8,987,500	\$8,987,500
Accumulated reserves or OE *	\$	\$
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$8,987,500	\$8,987,500

* OE = Owner's Equity

In Section F, page 44, the applicants state that the working capital needs of the project will be funded as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$866,801.10
(b)	Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$
(c)	Lines of credit	\$
(d)	Bonds	\$
(e)	Total *	\$866,801.10

Documentation of the availability of funding is provided in Exhibits F.1 through F.4, including letters dated February 11, 2019 from the Managing Director of Integrated Asset Advisors, LLC 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 provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Forms F.3, F.4 and F.5 the applicant projects that revenues will exceed operating expenses in the second operating year (10/1/2023 – 9/30/2024) of the project, as shown in the table below.

	1st Full Fiscal Year	2nd Full Fiscal Year	3rd Full Fiscal Year
Total Patient Days	11,498	24,659	33,334
Total Gross Revenues (Charges)	\$1,087,662	\$2,270,850	\$3,038,295
Total Net Revenue	\$1,076,785	\$2,248,142	\$3,007,912
Average Net Revenue per Patient Day	\$93.65	\$91.17	\$90.24
Total Operating Expenses (Costs)	\$1,765,215	\$2,126,452	\$2,414,500
Average Operating Expense per Patient Day	\$153.52	\$86.23	\$72.43
Net Income	<\$688,429>	\$121,690	\$593,412

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Exhibits Q.1 and Q.2 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

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

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

C

The applicants propose to relocate 106 existing ACH beds from Kannon Creek Assisted Living, located at 1808 N. Cannon Boulevard, Kannapolis, to The Landings of Salisbury, a new ACH facility to be located at 645 Julian Road, Salisbury. Both the existing and proposed facility locations are in Rowan County.

On page 219, the 2019 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.”

Thus, the service area for this project consists of Rowan County. Facilities may serve residents of counties not included in their service area.

The 2019 SMFP lists 14 facilities in Rowan County that offer ACH services. The table below is a summary of ACH beds in Rowan County. The table is recreated from the 2019 SMFP, Chapter 11, Table 11A, page 240 and Table 11C, page 251. There is a projected surplus of 332 ACH beds in 2022 for Rowan County.

2019 SMFP ACH INVENTORY AND 2022 NEED PROJECTIONS FOR ROWAN COUNTY	
# ACH Facilities	10
# Beds in ACH Facilities	677
# Beds in Nursing Facilities	179
Total Licensed Beds	856
# CON Approved Beds (License Pending)	0
Total # Available	856
Total # in Planning Inventory	856
Projected Bed Utilization With Vacancy Factor	524
Projected Bed Surplus (Deficit)	332

Source: 2019 SMFP

In Section G, page 48, the applicants explain why they believe the proposal would not result in the unnecessary duplication of existing or approved ACH services in Rowan County. The applicants state:

“The Applicants’ proposed project does not seek to increase the number of ACH beds in the Rowan County SMFP inventory. Rather, the Applicants propose to relocate already existing ACH beds in the SMFP inventory that are currently not being utilized at all. Therefore, no new beds will be added to adult care home bed inventory in the SMFP.”

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

- The applicants adequately demonstrate that the 106 ACH beds are not being utilized at the Kannon Creek Assisted Living facility.
- The applicants adequately demonstrate that the relocated ACH beds are needed in addition to the existing ACH beds.

Conclusion

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.

- (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 88, the applicants provide projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

**Projected FTE Positions
The Landings of Salisbury**

Staff Position	FFY2023	FFY2024	FFY2025
Registered Nurses	0.5	0.5	0.5
Aides	9.5	16.0	21.3
Staff Development Coordinator	1.0	1.0	1.0
Clerical	1.3	1.4	1.5
Dietary	3.4	4.2	5.3
Activities	0.8	1.1	1.2
Transportation	0.6	0.9	1.2
Laundry and Linen	0.6	0.6	0.8
Housekeeping	1.6	2.1	3.0
Plant Operating & Maintenance	0.8	0.9	1.0
Administration	1.0	1.0	1.0
Total FTE Positions	21.1	29.8	37.8

Totals may not sum due to rounding

Source: Form H in Section Q of the application

In Section H.1, page 49, 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 49-50, the applicants discuss the availability of staff, recruitment methods, and training. In Exhibit H.1, the applicants provide a letter from Doctors Making House Calls confirming support for the project and intent to provide medical care to the residents of the proposed facility.

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

Conclusion

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.

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

C

The applicants list the necessary staffing positions to provide the proposed services in Form H, Section Q. In Section I.1, pages 51-52, the applicants state that the facility will coordinate rehabilitative care and other support services through existing relationships. In Exhibit H.1, the applicants provide a letter from Doctors Making House Calls confirming support for the project and intent to provide medical care to the residents of the proposed facility. Exhibits C.1 and C.2 contain letters from a pharmacy and food supplier. Exhibit I.1 contains letters of support from area healthcare providers.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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 applicants do not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered.

- (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

None of the applicants is an HMO. Therefore, Criterion (10) is not applicable to this review.

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

C

In Section K, page 54, the applicants state that the project involves constructing 47,723 square feet of new space. Line drawings are provided in Exhibits K.1 and K.2.

On page 54, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibit K.3.

On pages 54-55, the applicants adequately explain why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services and provides supporting documentation in Exhibits K.3, Q.1 and Q.2.

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

On pages 55-56, the applicants identify the proposed site and provide information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. See also Exhibits K.4-6.

Conclusion

The Agency reviewed the:

- Application
- 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

The existing facility is currently not in operation, therefore, there is no historical payor mix to report. To the extent this criterion is applicable, the application is conforming.

(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;

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

In Section L.2(c), page 59, the applicants state that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- 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

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In Section L.3, pages 59-60, the applicants project the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Category	Services as Percent of Total Days
County Assistance	60.42%
Private Pay	39.58%
Total	100.0%

Source: Table on pages 59-60 of the application.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 60.42% of total services will be provided to County Assistance patients and 39.58% to Medicaid patients.

In Exhibits Q.1 and Q.2 the applicants provide the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- The applicants state that the average Rowan County ACH payor mix includes 47.49% Medicaid/Special Assistance and 52.51% private pay (Section G.2, pages 47-48).
- The applicants project a payor mix that is approximately 60.42% Medicaid and Special Assistance and 39.58% private pay.

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.

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In Section L, page 60, the applicants adequately describe the range of means by which patients will have access to The Landings of Salisbury adult care beds.

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.

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In Section M.1, page 61, the applicants describe the extent to which area health professional training programs will have access to the facility for training purposes.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately demonstrate 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.

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The applicants propose to relocate 106 existing ACH beds from Kannon Creek Assisted Living, located at 1808 N. Cannon Boulevard, Kannapolis, to The Landings of Salisbury, a new ACH

facility to be located at 645 Julian Road, Salisbury. Both the existing and proposed facility locations are in Rowan County.

On page 219, the 2019 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.”

Thus, the service area for this project consists of Rowan County. Facilities may serve residents of counties not included in their service area.

The 2019 SMFP lists 14 facilities in Rowan County that offer ACH services. The table below is a summary of ACH beds in Rowan County. The table is recreated from the 2019 SMFP, Chapter 11, Table 11A, page 240 and Table 11C, page 251. There is a projected surplus of 332 ACH beds in 2022 for Rowan County.

2019 SMFP ACH INVENTORY AND 2022 NEED PROJECTIONS FOR ROWAN COUNTY	
# ACH Facilities	10
# Beds in ACH Facilities	677
# Beds in Nursing Facilities	4
Total Licensed Beds	179
# CON Approved Beds (License Pending)	0
Total # Available	856
Total # in Planning Inventory	856
Projected Bed Utilization With Vacancy Factor	524
Projected Bed Surplus (Deficit)	332

Source: 2019 SMFP

In Section N, pages 62-63, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 62, the applicant states:

“The proposed project will have a positive effect on competition in the area, as the demand for these 106 ACH beds may encourage other facilities with poor utilization in Rowan County to improve their current situations in order to compete with the proposed project, ideally raising the current standards throughout Rowan County.”

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

- The cost-effectiveness of the proposal (see Sections F and Q of the application and any exhibits)
- Quality services will be provided (see Section O of the application and any exhibits)
- Access will be provided to underserved groups (see Section L of the application and any exhibits)

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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.

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In Exhibit O.1, pages 146-149, the applicants list 85 North Carolina ACH facilities owned, operated, or managed by a related entity, showing Type A and B violations and penalties received during the 18 months immediately preceding the submittal of the application. In Section O.3(b)(ii), page 65, the applicants state:

“All violations received by said facilities have been resolved successfully with DHSR. It is the Applicants and the management company’s 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 applicants 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.

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 or add adult care home beds to an existing facility