

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: March 22, 2023

Findings Date: March 22, 2023

Project Analyst: Gregory F. Yakaboski

Co-Signer: Micheala Mitchell

Project ID #: H-12290-22

Facility: Sandhills Health & Rehabilitation, LLC

FID #: 220736

County: Moore

Applicants: Sandhills Health and Rehabilitation, LLC

Pinehurst Healthcare Properties, LLC

Project: Develop a new NF by relocating no more than 86 NF beds from St. Joseph of the Pines

REVIEW CRITERIA

G.S. 131E-183(a): The Department 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

Sandhills Health and Rehabilitation, LLC and Pinehurst Healthcare Properties, LLC (hereinafter referred to “the applicant”) propose to develop a new nursing facility (NF) in Moore County by relocating 86 of the 176 license NF beds from St. Joseph of the Pines Health Center (St. Joseph) located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills Health & Rehabilitation, LLC (Sandhills), on NC Hwy 5, Pinehurst. Both St. Joseph and Sandhills are located in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF 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 2022 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There are two policies in the 2022 SMFP which are applicable to this review: *Policy NH-8: Innovations in Nursing Home Facility Design* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy NH-8: Innovations in Nursing Home Facility Design, on page 25 of the 2022 SMFP, states:

“Certificate of need applicants proposing new nursing home facilities and replacement nursing home facilities shall pursue innovative approaches in environmental design that address quality of care and quality of life needs of the residents. These plans could include innovative design elements that encourage less institutional, more home-like settings, privacy, autonomy and resident choice, among others.”

In Section B, pages 27-28, and Exhibit B.2, the applicant describes the innovative approaches in environmental design that it plans to incorporate into the proposed project.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on pages 30-31 of the 2022 SMFP, states:

“Any person proposing a capital expenditure greater than \$4 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 for 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 capital expenditure of the project is over \$4 million dollars. In Section B, page 29, and in Exhibit B-2, the applicant describes its plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

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

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

- The applicant does not propose to develop any beds, services, or equipment for which there is a need determination in the 2022 SMFP.
- The applicant adequately demonstrates that the proposal is consistent with Policy NH-8 and Policy GEN-4 based on the following:
 - The applicant adequately demonstrates that the proposal is consistent with Policy NH-8 because it adequately documents its innovative approaches in environmental design to address quality of care and quality of life needs of the residents.
 - The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved 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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

Patient Origin

On page 145, the 2022 SMFP defines the service area for nursing home beds as “... *the county in which the bed is located. Each of the 100 counties in the state is a separate service area.*” The applicant proposes relocating NF beds within Moore County from St Joseph to Sandhills. Thus, the service area for this facility is Moore County. Facilities may also serve residents of counties not included in their service area.

Sandhills is not an existing facility. The following table illustrates projected patient origin.

County	Sandhills Projected Patient Origin					
	1 st Full FY (CY 2025)		2 nd Full FY (CY 2026)		3 rd Full FY (CY 2027)	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
Moore	138	90.0%	221	90.0%	221	90.0%
Cumberland	6	4.0%	10	4.0%	10	4.0%
Lee	3	2.0%	5	2.0%	5	2.0%
Harnett	3	2.0%	5	2.0%	5	2.0%
Richmond	3	2.0%	5	2.0%	5	2.0%
Total	153	100.0%	245*	100.0%	245*	100.0%

Source: Section C, page 32.

*Total number of patients totals 246. Project analyst notes that this might be due to rounding.

In Section C, pages 31-32, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant used a fill-up rate average of 8 admissions/month during a one-year fill-up period until occupancy reaches 90.0%.
- The applicant projected the 90.0% occupancy based on pent-up demand as the nursing facility industry recovers from the COVID-19 pandemic and operational experience.
- The applicant estimated the number of patient by County based on projections that the majority of patients would be Moore County residents, particularly in light of the projected population growth in the 65+ age cohort in Moore County over the next five years. The other counties identified as sources of patient origin are all contiguous to Moore County and based, primarily, on the locations with larger municipalities.
- The applicant states that the number of patients served during a year will be much higher than the actual bed count as nursing facility occupancy can be partially driven by short term stay residents. See also Exhibit C.3.

Analysis of Need

In Section C, pages 33-35, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as follows:

- The percentage of, and projected growth in, the 65+ age cohort in Moore County's Population (See page 34)
- The Age of the Existing Nursing Facilities in Moore County (See page 34)
- Need for the Placement of Indigent/Underserved/Medicaid Beneficiaries in Moore County (See pages 34-35).

The information is reasonable and adequately supported based on the application, exhibits to the application and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- The applicant states that the 65+ age cohort is the percentage of the population most likely to need nursing services.
- The applicant identifies Moore County as a premier retirement location within the State of North Carolina. See Exhibit C.4.
- In Moore County the percentage of the population 65+ is projected to be 24.1% in 2027. See Exhibit C.3.
- From 2022 to 2027 the 65+ age cohort in Moore County is projected to increase 12.75%. See Exhibit C.3.
- Sandhills will be a brand-new facility with upgraded amenities and resident care options. In comparison, the applicant states that the last new nursing facility built in Moore County was over 20 years ago over which time the effectiveness and design of nursing facilities has drastically changed. See Exhibit C.4.
- The applicant expects a surge in both the elderly and indigent population of Moore County and the surrounding areas. On page 40 the applicant states *“Sandhills Health and Rehabilitation will accept both direct admit Medicaid beneficiaries, as well as those patients that transition to Medicaid after their Medicare benefit or Private Pay resources have lapsed. ... the facility will entertain specific hardships on a case-by-case basis, which could include the disenfranchised and underserved which do not qualify for NF Medicaid benefits. ... Sandhills Health and Rehabilitation LLC will have a strict non-discriminatory policy, which will allow full access to the facility regardless of gender, race, religion, or country of origin.”*

Projected Utilization

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

Sandhills- Projected Utilization

	OY1 CY 2025	OY2 CY 2026	OY3 CY 2027
# of Patient Days	17,739	28,470	28,470
Total # of Beds	86	86	86
# of Admissions	153	245	245
Average Length of Stay	116	116	116
Occupancy Rate	56.5%	90.7%	90.7%

In Section C, page 43 and Section Q Significant Assumptions, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The applicant utilized a net average fill-up rate of eight patients per month (2 per week) during the fill up period. In January 2026 the applicant projects a stabilized occupancy of 90.7% for the facility.
- The applicant relies on its experience operating seventeen successful nursing facilities within North Carolina and the reputation of the operator for projected utilization.
- The 90% occupancy rate is assumed to be realized and maintained based on operational experience and the recovery of the nursing facility industry from COVID-19 which will greatly increase nursing facility occupancy due to pent up demand.
- The applicant considered the current and projected population and demographic data for Moore County in projecting utilization.
- The facility will be brand-new with enhanced amenities compared to other nursing facilities.

Projected utilization is reasonable and adequately supported based on the application, exhibits to the application and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- The applicant considered the current and projected population and demographic data for Moore County in projecting utilization.
- The facility will be brand-new with enhanced amenities compared to other nursing facilities. In contrast, the last new nursing facility built in Moore County was over 20 years ago over which time the effectiveness and design of nursing facilities has drastically changed. See Exhibit C.4.
- The applicant relies on its experience operating seventeen successful nursing facilities within North Carolina and the reputation of the operator for projected utilization. Including average length of stay which was based on historical data from the existing nursing facilities. See Exhibit C.3.

- From 2022 to 2027 the 65+ age cohort in Moore County is projected to increase 12.75% based on data from Claritas. The 65+ age cohort is the age cohort most likely to utilize a nursing facility.
- The 90% occupancy rate is assumed to be realized and maintained based on operational experience and the recovery of the nursing facility industry from COVID-19 which will greatly increase nursing facility occupancy due to pent up demand.

Access to Medically Underserved Groups

In Section C, page 40, the applicant states:

“Sandhills Health and Rehabilitation will accept both direct admit Medicaid beneficiaries, as well as those patients that transition to Medicaid after their Medicare benefit or Private Pay resources have lapsed. ... the facility will entertain specific hardships on a case-by-case basis, which could include the disenfranchised and underserved which do not qualify for NF Medicaid benefits. ... Sandhills Health and Rehabilitation LLC will have a strict non-discriminatory policy, which will allow full access to the facility regardless of gender, race, religion, or country of origin.”

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low-income persons	57.0%
Racial and ethnic minorities*	23.2%
Women	51.2%
Persons with Disabilities*	Unable to estimate
Persons 65 and older	100.0%
Medicare beneficiaries	31.0%
Medicaid recipients	57.0%

Source: Section C, page 41.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the applicant’s policy.

Conclusion

The Agency reviewed the:

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

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

- (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, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

C

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

In Section D, page 46, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 46, the applicant states:

“Since the 85 beds at St. Joseph of the Pines, Inc. have been un-occupied for a significant period of time, there would be absolutely no disruption of services or displacement of residents as a result of the transfer of these NF beds. St. Joseph of the Pines is a licensed CCRC ... The CCRC model is much different than a free-standing nursing facility... The community would have access to a state-of-the-art nursing facility that is open to all admissions from the community, regardless of payer type.”

The information is reasonable and adequately supported based on:

- Exhibit C.1, which contains a letter dated June 6, 2022 from the President and CEO of Trinity Health Senior Communities who are representatives of St. Joseph of the Pines which states, *“Since these 86 beds have been un-occupied for a significant period of time, there would be absolutely no disruption of services or displacement of residents as a result of the transfer of these SNF beds.”*
- The historical occupancy data for St. Joseph of the Pines. See Exhibit C.4.

Projected Utilization

In Section C and in Section Q, the applicant provides projected patient origin and projected utilization of the 86 NF beds, as illustrated in the following tables:

County	Sandhills Projected Patient Origin					
	1 st Full FY (CY 2025)		2 nd Full FY (CY 2026)		3 rd Full FY (CY 2027)	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
Moore	138	90.0%	221	90.0%	221	90.0%
Cumberland	6	4.0%	10	4.0%	10	4.0%
Lee	3	2.0%	5	2.0%	5	2.0%
Harnett	3	2.0%	5	2.0%	5	2.0%
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Total	153	100.0%	245*	100.0%	245*	100.0%

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Sandhills- Projected Utilization

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Total # of Beds	86	86	86
# of Admissions	153	245	245
Average Length of Stay	116	116	116
Occupancy Rate	56.5%	90.7%	90.7%

Section Q, Form C.1b.

Access to Medically Underserved Groups

In Section D, page 46, the applicant states:

“Due to the fact that the NF beds proposed to be relocated are unoccupied beds, there would be absolutely no impact to any [medically underserved groups] at the existing St. Joseph of the Pines.

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use NF bed services will be adequately met following completion of the project for the following reasons:

- The 86 NF beds are not currently in service and thus are not meeting the needs of any medically underserved groups. See the historical occupancy data for St. Joseph of the Pines. See Exhibit C.4.
- Exhibit C.1, which contains a letter dated June 6, 2022, from the President and CEO of Trinity Health Senior Communities who are representatives of St. Joseph of the Pines which states, *“Since these 86 beds have been un-occupied for a significant period of time, there would be absolutely no disruption of services or displacement of residents as a result of the transfer of these SNF beds.”*

- The applicant proposes to bring the 86 NF beds back in service and make them available to meet the needs of any and all medically underserved groups.
- The applicant proposes to relocate the 86 NF to a new facility within Moore County located approximately 8 miles away from the facility where they are currently licensed.

The information is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately demonstrates that the needs of the population currently using the services to be relocated will be adequately met following project completion for all the reasons described above.
 - The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.
- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

In Section E, page 49, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- *Maintain the Status Quo*- The 86 NF beds are currently licensed to St. Joseph, which is licensed for 176 NF, but do to a repositioning within St. Joseph, the NF beds are not part of St. Joseph's future plans. In addition, the 86 NF beds are not currently in use. St. Joseph is also a CCRC. The applicant states that it is possible St. Joseph might even de-license the 86 NF beds. The applicant states that given existing and projected future

demand for open (non-CCRC) NF beds in Moore County maintaining the status quo is not the most effective alternative.

- *More Traditional Construction*- The applicant could have pursued the historical nursing facility design. However, the applicant states that compared to implementing highly innovative nursing facility with enhanced infection controls and all private rooms pursuing the historical nursing facility design was not the most effective alternative.

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

- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria. Therefore, the application can be approved.

Conclusion

The Agency reviewed the:

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

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

- 1. Sandhills Health and Rehabilitation, LLC and Pinehurst Healthcare Properties, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a new facility by relocating no more than 86 NF beds from St. Joseph of the Pines Health Center for a total of no more than 86 NF beds.**
- 3. Upon completion of the project Sandhills Health & Rehabilitation, LLC shall be licensed for no more than 86 nursing facility beds.**
- 4. Upon completion of this project the certificate holder shall take the necessary steps to delicense 86 nursing home facility beds from St. Joseph of the Pines Health Center.**
- 5. For the first two years of operation following completion of the project, the certificate holder 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. Prior to the issuance of the certificate of need, Sandhills Health and Rehabilitation, LLC and Pinehurst Healthcare Properties, LLC shall obtain documentation from St. Joseph of the Pines Inc showing that the purchase transaction between the buyer and seller has completed and shall provide a copy of the documentation to the Healthcare Planning and Certificate of Need Section.**
- 7. The certificate holder 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.**
- 8. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. The first progress report shall be due on January 1, 2024.**
- 9. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 10. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder 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.**
- 11. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**

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

C

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

Site Costs	\$4,679,700
Construction Costs	\$33,294,000
Miscellaneous Costs	\$2,222,000
Total	\$40,195,700

In Section Q, Significant Assumptions and Exhibit F.1, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant states it relies on extensive planning from architects, outside consultants and developers.
- In Exhibit F.1, the applicants provide a letter from the architects certifying the construction costs of \$33,994,000 which includes the construction costs of \$33,294,000 listed above as well as \$250,000 of the site costs which totals \$33,544,000 (\$450,000 less than the architects projected costs).

In Section F.3, page 53, the applicant projects that start-up costs will be \$0 and initial operating expenses will be \$2,206,000 for a total working capital of \$2,206,000. On pages 53-54, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions.

Availability of Funds

In Section F.2, page 51, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Pinehurst Healthcare Properties, LLC	Total
Loans	\$30,936,000	\$30,936,000
Cash and Cash Equivalents, Accumulated reserves or OE *	\$8,829,700	\$8,829,700
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$39,765,700	\$39,765,700*

* OE = Owner's Equity

***NOTE -the is \$430,000 less than that projected capital costs. However, as discussed above, the architects cost estimate was \$450,000 over the projected construction and some of the site costs. Further, as shown below, Pinehurst Healthcare Properties, LLC shows available funding of \$41.0 million.

In Section F.3, page 54, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital: Sandhills Health and Rehabilitation, LLC	Amount
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$2,206,000
Lines of credit	\$0
Bonds	\$0
Total *	\$2,206,000

In Exhibit F.2, the applicant provides a letter dated October 12, 2022, from the Senior Vice President of Pinnacle Bank stating that they would lend up to 80% of the proposed capital costs of the project or approximately \$32.0 million to Pinehurst Healthcare Properties, LLC.

Exhibit F.2 also contains a letter dated September 21, 2022, from an owner/member of Sanstone Health and Rehab, the owner of Pinehurst Healthcare Properties, LLC, stating that Sanstone would pledge \$9.0 million to Pinehurst Healthcare Properties, LLC for the proposed project.

Thus, between the loan from Pinnacle Bank and the funding from the owner/member, Pinehurst Healthcare Properties, LLC demonstrates funding available for the capital costs of \$41.0 million.

Exhibit F.3 contains a copy of a letter dated September 21, 2022, from an owner/member of Sanstone Health and Rehab, the owner of Sandhills Health and Rehabilitation, LLC, stating that Sanstone would pledge \$3.0 million to Sandhills Health and Rehabilitation, LLC, for the working capital needs of the proposed project.

Exhibit F.2 also contains a copy of the audited financials of Ardent Health and Rehabilitation, Inc. d/b/a Sanstone Health and Rehabilitation showing cash and cash equivalents of \$55.9 million as of December 31, 2021.

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project based on the following:

- The applicant provides documentation of the commitment to use the necessary funding toward development of the proposed project.
- The applicant provides documentation of the availability of sufficient financial resources to fund the proposed changes to capital and working capital costs.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the second and third full fiscal years following completion of the project, as shown in the table below.

Sandhills

	1 st Full Fiscal Year (CY2025)	2 nd Full Fiscal Year (CY2026)	3 rd Full Fiscal Year (CY2027)
Total Patient Days	17,739	28,470	28,470
Total Gross Revenues (Charges)	\$6,826,253	\$10,955,920	\$10,955,919
Total Net Revenue	\$6,757,990	\$10,846,361	\$10,846,360
Average Net Revenue per Patient Days	\$381	\$381	\$381
Total Operating Expenses (Costs)	\$8,017,480	\$10,384,538	\$10,384,538
Average Operating Expense per Patient Days	\$452	\$365	\$365
Net Income	(\$1,259,490)	\$461,823	\$461,823

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant accounts for projected operating expenses and income, such as salaries and charges, consistent with projections elsewhere in the application.
- The Medicare and Medicaid percentages at the operators other seventeen existing nursing facilities in North Carolina. See Exhibit C.6.
- The Significant Assumptions for Section Q found at the end of Section Q and the projections and calculations in Exhibit Q.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- Information publicly available during the review and used by the Agency

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

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

CA

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

On page 145, the 2022 SMFP defines the service area for nursing home beds as “... *the county in which the bed is located. Each of the 100 counties in the state is a separate service area.*” The applicant proposes relocating NF beds within Moore County from St Joseph to Sandhills. Thus, the service area for this facility is Moore County. Facilities may also serve residents of counties not included in their service area.

Table 10A on page 160 of the 2022 SMFP shows a total of 730 existing and approved NF beds in Moore County. The table below summarizes the existing and approved NFs and beds as shown in the 2022 SMFP.

Moore County Inventory of Existing/Approved NF Beds				
Facility	Total Licensed Beds	CON Bed Transfer	Total Available Beds	Total Planning Inventory
Accordius Health of Aberdeen**	90	0	90	90
Inn at Quail Haven Village	60	0	60	60
Peak Resources-Pinelake	90	0	90	90
Penick Village	50	0	50	50
Pinehurst Healthcare and Rehabilitation Center	144	0	144	144
St Joseph of the Pines Health Center	176	0	176	176
The Greens at Pinehurst Rehabilitation & Living Center	120	0	120	120
Total	730	0	730	730

**Facility whose beds are licensed, but whose occupancy is reported as 0 due to renovation, replacement, and/or a decision not to delicense beds. These beds are counted in the planning inventory.

In Section G, pages 60-61, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved NF bed services in Moore County. The applicant states:

“The existing 86 NF beds are located at St. Joseph of the Pines, Inc., also located in Moore County. These beds are currently licensed as NF beds per the NC State Medical Facilities Plan...The relocation of beds from St. Joseph of the Pines, Inc. to Sandhills Health and Rehabilitation, LLC will have no effect on the inventory of available beds within Moore County.

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

- The proposal would not result in an increase in NF beds in Moore County.
- The 86 NF beds are licensed and currently part of the NF bed inventory for Moore County in the 2022 SMFP, but not currently in use. See letter from representatives of St. Joseph of the Pines in Exhibit C.1.
- The applicant adequately demonstrates that the proposed relocation of the 86 NF beds to a new facility is needed in addition to the existing or approved NF beds in Moore County.

Conclusion

The Agency reviewed the:

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

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

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

In Form H, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	Projected FTE Staff		
	1 st FFY CY 2025	2 nd FFY CY 2026	3 rd FFY CY 2027
Registered Nurses	4.0	6.0	6.0
Licensed Practical Nurses	11.0	17.0	17.0
Certified Nurse Aides/Nursing Assistants	16.0	26.0	26.0
Director of Nursing	1.0	1.0	1.0
MDS Nurse	1.0	1.5	1.5
Food Service Supervisor	1.0	1.0	1.0
Cooks	2.0	2.0	2.0
Dietary Aides	4.0	8.0	8.0
Social Workers	1.0	1.0	1.0
Activities Director	1.0	1.0	1.0
Activities Assistance	2.0	2.0	2.0
Medical Records	1.0	1.0	1.0
Laundry & Linen	2.5	4.0	4.0
Housekeeping	2.5	4.0	4.0
Maintenance	1.0	1.0	1.0
Administrator/CEO	1.0	1.0	1.0
Bookkeeper	1.0	1.0	1.0
Clerical	1.0	1.0	1.0
Admissions Coordinator	1.0	1.0	1.0
Marketing Director	0.5	1.0	1.0
TOTAL	55.0	81.5	81.5

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section H, pages 62-63, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant states that clinical staff for the first year is calculated using a “fill up” of RNs, LPNs, and CNAs.
- The applicant has extensive historical experience with nursing facilities, owning 17 other nursing facilities in North Carolina which provides a bases for staffing schedules.
- The applicant states that clinical staffing is estimated using a conservative “hours per patient day” statistic to ensure proper staffing for patient care.

Conclusion

The Agency reviewed the:

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

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

CA

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

Ancillary and Support Services

In Section I, page 64, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 64-65, the applicant explains how each ancillary and support service is or will be made available.

Coordination

In Section I, page 65, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibits I-1 and I-2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant provides copies of letters to the Moore County Department of Social Services and to First Health of the Carolinas, Inc.
- The applicant provides letters from other local health care providers offering to provide their services to Sandhills.

Conclusion

The Agency reviewed the:

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

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

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

NA

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

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

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

C

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

In Section K, page 68, the applicant states that the project involves constructing 73,900 square feet of new space. Line drawings are provided in Exhibit K.1.

On pages 69-71, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. Supporting documentation is provided in Exhibit K.4. The site appears to be suitable for the proposed nursing home facility based on the applicant's representations and supporting documentation.

On pages 68-69, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states that the 86 NF beds are not currently occupied and the proposed project represents the most effective way to place these NF beds back in service for the Moore County community.
- The applicant chose the design because it will produce a high-quality facility focused on the key element of infection control which is 100% private/single occupancy rooms.
- The applicant states that private/single occupancy rooms contributes greatly to patient dignity and satisfaction and comports with increasing patient demand for more privacy in long term care settings.
- The construction costs are justified based on the architect's costs estimates in Exhibit F.1.

On page 69, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states that the majority of the projected patient will be Medicaid and/or Medicare beneficiaries which benefits are provided at the same costs to the patient, regardless as of the setting of care. Thus, the proposed project will not have any impact on costs and charges to the public.
- Further, as the current location of the beds, St. Joseph, currently does not use the beds and has not plans to do so, the proposed project allows the applicant to utilize the beds.

In Exhibit K.3, the applicant provides a letter from the architects which identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application
- Information publicly available during the review and used by the Agency

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

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

Sandhills is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

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

NA

Sandhills is not an existing facility. Therefore, Criterion (13b) is not applicable to this review.

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

C

In Section L, page 75, the applicant projects the following payor mix for the proposed services during the third full fiscal year (CY 2027) of operation following completion of the project, as shown in the table below.

Payor Category	Percent of Total Patients Served
Self-Pay	10.0%
Medicare	31.0%
Medicaid	57.0%
Other (Hospice)	2.0%
Total	100.0%

Source: Table on page 75 of the application.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 10.0% of total services will be provided to self-pay patients, 31.0% to Medicare patients and 57.0% to Medicaid patients.

On page 75, the applicant provides 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 based on the following:

- The applicant utilized expected demand for short-term rehabilitative services associated with Medicare beneficiaries; and
- The averages of the other nursing facilities in the service area. Exhibit L.3 provides historical occupancy and payor information for the operators other nursing facilities in Moore County.
- The applicant's patient day projections in Exhibit L.4.
- The Medicare and Medicaid percentages at the operators other seventeen existing nursing facilities in North Carolina. See Exhibit C.6.

The Agency reviewed the:

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

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

- (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, page 76, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application

- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the 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

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

In Section M, page 78, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant states that Sandhills “*will be available as a training facility for local training programs and community colleges. This policy is also in place at the other nursing facilities operated by Sanstone and the owners of Sandhills Health and Rehabilitation, LLC.*”
- In Exhibit H.3, the applicant provides a letter to Sandhills Community College offering Sandhills, upon completion, as a clinical training site.

Conclusion

The Agency reviewed the:

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

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

- (15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.

- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes to develop a new NF in Moore County by relocating 86 of the 176 licensed NF beds from St. Joseph, located at 103 Gossman Road, Southern Pines, to a new facility, Sandhills, on NC Hwy 5, Pinehurst. Both facilities are in Moore County. Upon project completion St. Joseph will be licensed for 90 NF beds and Sandhills will be licensed for 86 NF beds.

On page 145, the 2022 SMFP defines the service area for nursing home beds as “... *the county in which the bed is located. Each of the 100 counties in the state is a separate service area.*” The applicant proposes relocating NF beds within Moore County from St Joseph to Sandhills. Thus, the service area for this facility is Moore County. Facilities may also serve residents of counties not included in their service area.

Table 10A on page 160 of the 2022 SMFP shows a total of 730 existing and approved NF beds in Moore County. The table below summarizes the existing and approved NFs and beds as shown in the 2022 SMFP.

Moore County Inventory of Existing/Approved NF Beds				
Facility	Total Licensed Beds	CON Bed Transfer	Total Available Beds	Total Planning Inventory
Accordius Health of Aberdeen**	90	0	90	90
Inn at Quail Haven Village	60	0	60	60
Peak Resources-Pinelake	90	0	90	90
Penick Village	50	0	50	50
Pinehurst Healthcare and Rehabilitation Center	144	0	144	144
St Joseph of the Pines Health Center	176	0	176	176
The Greens at Pinehurst Rehabilitation & Living Center	120	0	120	120
Total	730	0	730	730

**Facility whose beds are licensed, but whose occupancy is reported as 0 due to renovation, replacement, and/or a decision not to delicense beds. These beds are counted in the planning inventory.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 79, the applicant states:

“While the proposed project will not increase the number of NF beds in Moore County, the state-of-the art facility planned by the applicants is sure to have a competitive advantage in the service area when attracting patients. The majority of NF residents are covered by third party government payer sources (Medicare, Medicare Advantage, Medicaid). Therefore, a

new facility on the forefront of innovation will surely create some competition in the service area.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 79, the applicant states:

“As an established operator in NC, the owners of Sandhills Health and Rehabilitation has the benefit of scale when driving efficient operations. The new facility will have access to a seasoned management company which provides oversight and infrastructure support. This cost efficiency will help Sandhills Health and Rehabilitation provide a much-needed service to the community at reasonable cost.”

See also Sections C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 79-80, the applicant states:

“The related facilities of Sandhills Health and Rehabilitation (under the management of Sanstone Management) all have a reputation for delivering quality care. ... The facility will be equipped with the latest point of care patient delivery technology and medical equipment. The innovative design and state-of-the-art technology will certainly enhance the quality of care at Sandhills Health and Rehabilitation.”

See also Sections C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 80, the applicant states:

“The construction of Sandhills Health and Rehabilitation will open up services to the underserved and indigent population of Moore County through the Medicaid benefits programs. The facility anticipates a majority of its residents as Medicaid beneficiaries and will serve as much or more Medicaid beneficiaries (as a percentage of total patients) as other nursing facilities in the service area of Moore County.”

See also Sections C and L of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant’s representations about how it will ensure the quality of the proposed services and the applicant’s record of providing quality care in the past.

- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

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

C

In Section Q, Form O, the applicant identifies the nursing facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 17 of this type of facility located in North Carolina.

In Section O, page 81, the applicant states that, during the 18 months immediately preceding the submittal of the application, none of the nursing facilities identified in Form O *"None of the facilities identified in Form O have any surveys or situations resulting in a finding of substandard quality of care (Level 4) during the 18-month look back period."*

According to the files in the Nursing Home Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in six of these facilities and all six facilities are back in compliance. After reviewing and considering information provided by the applicant and by the Nursing Home Licensure and Certification Section and considering the quality of care provided at all 17 facilities, the applicant 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.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical

center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below.

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

10A ncac 14C .1102 PERFORMANCE STANDARDS

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

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

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

-C- The applicant is proposing to establish a new nursing facility. Occupancy is projected to be over 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following completion of the proposed project. The discussion regarding projected utilization, including methodology and assumptions, found in Criterion (3) is incorporated herein by reference.

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

-NA- The proposed project does involve adult care home beds.

(d) An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following

the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.

-NA- The proposed project does involve adult care home beds.