

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: January 29, 2024

Findings Date: February 5, 2024

Project Analyst: Cynthia Bradford

Co-Signer: Micheala Mitchell

Project ID #: J-12448-23

Facility: Springbrook Nursing and Rehabilitation and Center

FID #: 100679

County: Johnston

Applicants: Hillco, Ltd.

Everest Long Term Care, LLC

Britthaven, Inc.

Project: Relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds

### 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

Hillco, Ltd, Everest Long Term Care, LLC, and Britthaven, Inc., (hereinafter collectively referred to as the “applicant”) propose to relocate no more than 20 nursing facility beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility 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 2023 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

### **Policies**

There are no policies in the 2023 SMFP which are applicable to this review:

- (2) Repealed effective July 1, 1987.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 relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

### **Patient Origin**

On page 139, the 2023 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 nursing facility beds between two nursing facilities both located within Johnston County. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates the historical and projected patient origin for the first three fiscal years following project completion.

<b>Springbrook Nursing and Rehabilitation Center Historical and Projected Patient Origin</b>								
<b>NF Beds</b>	<b>Last Full FY (10/1/2021-9/30/2022)</b>		<b>1<sup>st</sup> Full FY (10/1/2025-9/30/2026)</b>		<b>2<sup>nd</sup> Full FY (10/1/2026-9/30/2027)</b>		<b>3<sup>rd</sup> Full FY (10/1/2027-9/30/2028)</b>	
Johnston	394	61.2%	63	61.2%	66	61.2%	69	61.2%
Wake	183	28.4%	29	28.4%	31	28.4%	32	28.4%
Harnett	15	2.3%	2	2.3%	2	2.3%	3	2.3%
Wayne	15	2.3%	2	2.3%	2	2.3%	3	2.3%
Unknown	5	0.8%	1	0.8%	1	0.8%	1	0.8%
Wilson	4	0.6%	1	0.6%	1	0.6%	1	0.6%
Duplin	3	0.5%	1	0.5%	1	0.5%	1	0.5%
Other States	3	0.5%	1	0.5%	1	0.5%	1	0.5%
Sampson			1	0.5%	1	0.5%	1	0.5%
Durham			0	0.3%	0	0.3%	0	0.3%
Other Counties	22	3.4%	3	3.4%	4	3.4%	4	3.4%
<b>Total</b>	<b>644</b>	<b>100.0%</b>	<b>103</b>	<b>100.0%</b>	<b>108</b>	<b>100.0%</b>	<b>113</b>	<b>100.0%</b>

Source: Section C, page 27 & 30

In Section C, pages 29-30, 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 historical patient origin for Springbrook Nursing and Rehabilitation Center (“Springbrook”) NF beds.
- The applicant projected the majority of patients would be Johnston County residents because Springbrook currently serves a higher proportion of Johnston County residents. Additionally, the applicant presumed that because it is relocating 20 NF beds from Barbour Court, located 12 miles from Springbrook, that patient origin would be consistent between the two facilities.
- The applicant projects that the remaining census will be comprised of patients from counties outside of the service area and from other states.

**Analysis of Need**

In Section C, pages 32-38, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as follows:

**Projected Population Growth and Aging in Johnston County**

In Section C, pages 32-34, the applicant states,

*“...among all 100 North Carolina counties, Johnston County is home to the ninth greatest number of residents age 65 and older....”*

*... the CAGR of Johnston County's population was more than three times that of North Carolina...*

*Johnston County's population is expected to continue to grow at a significant rate over the next 10 years."*

### **Need to optimize NF bed capacity in Johnston County**

In Section C, pages 32-34, the applicant states,

*"Between Springbrook and Barbour Court, the two facilities are licensed to operate 265 beds, or 43 percent of the available NF bed capacity in Johnston County...*

*... As stewards of almost half the available NF bed capacity in Johnston County, the applicants and their related entities, are constantly monitoring operations and market conditions to ensure these resources are leveraged as effectively as possible...*

*...Barbour Court has remained at an occupancy proximate to 80 percent, while Springbrook's utilization has caused it to increase to over 93 percent occupancy."*

### **Need for Proven Nursing Facility Services**

In Section C, page 36, the applicant states,

*"Principle LTC's organizational philosophy has been built around its mission – providing the highest quality of care and services assuring human dignity and quality of life, for its residents, their families, and employees – since its inception in 1980."*

The information is reasonable and adequately supported based on the following:

- The applicant states that the 65+ age cohort is the percentage of the population most likely to need nursing services.
- Johnston County is home to the ninth greatest number of residents age 65 and older in the State of North Carolina, and is projected to add the seventh greatest number of persons age 65 and older from 2023 to 2033.

### **Projected Utilization**

In Section Q, Form C.1.b, the applicant provides projected utilization, as illustrated in the following table.

<b>Springbrook Nursing and Rehabilitation Center</b>			
	<b>1<sup>st</sup> Fiscal Year (10/1/2025 – 9/30/2026)</b>	<b>2<sup>nd</sup> Fiscal Year (10/1/2026 – 9/30/2027)</b>	<b>3<sup>rd</sup> Fiscal Year (10/1/2027 – 9/30/2028)</b>
# of Patient Days	37,572	39,447	41,416
Total # of Beds	120	120	120
# of Admissions	594	623	654
Average Length of Stay	63.28	63.28	63.28
Occupancy Rate	85.8%	90.1%	94.6%

Source: Section Q, Form C.1.b

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

- The applicant analyzed historical utilization at Springbrook before and the onset of the COVID-19 pandemic or from FFY 2017 to FFY 2019 and from FFY 2020 to FFY 2023.
- The applicants projected that utilization at Springbrook will increase equivalent to one-half its CAGR from FFY 2020 to FY 2023, or 2.50 percent from FFY 2023 to FFY 2025.
- The applicant assumed NF bed days will increase equivalent to Springbrook’s CAGR of 4.99% from FFY 2020 to FFY 2023.
- The applicant then projected Springbrook’s CAGR of 4.99% for the first three fiscal years of the proposed project.
- The applicant then analyzed Springbrook’s historical average number of admissions per average daily census (“ADC”) and found the average to be 5.7681. In order to project admissions at Springbrook, the applicants applied the historical average number of admissions per ADC of 5.7681 to Springbrook’s projected ADC from FFY 2023 to FFY 2028.

Projected utilization is reasonable and adequately supported based on the following:

- Projected utilization is based upon the historical utilization of the facility.
- The applicants analyzed historical facility data and CAGR to project the number of admissions by the third full fiscal year of the proposed project.

**Access to Medically Underserved Groups**

In Section C, page 44, the applicant states:

*“Springbrook is and will remain equally accessible to all persons, including those with low income, racial and ethnic minority groups, women, people with disabilities, the elderly, and Medicare beneficiaries, and Medicaid recipients. The applicants will accommodate all admissions for whom they are able to provide healthcare services.”*

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	55.0%
Racial and ethnic minorities*	15.9%
Women	64.9%
Persons with Disabilities*	Not available
Persons 65 and older	93.6%
Medicare beneficiaries	31.2%
Medicaid recipients	60.2%

Source: Section C, page 44.

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 following:

- The applicant projects no change in access for medically underserved groups as this relocation will increase capacity to serve these groups.

### **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 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 relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

In Section D, pages 52, the applicant explains why it believes the needs of the population presently utilizing the services at Barbour Court Nursing and Rehabilitation to be relocated will be adequately met following completion of the project. The applicant states:

*“While the proposed project involves relocating NF bed inventory from Barbour Court to Springbrook, 20 beds represent only 12 percent of Barbour Court’s existing licensed NF bed capacity. Following relocation of the 20 beds, Barbour Court will have 145 licensed NF beds, which is ample capacity to support demand at Barbour Court.”*

In Section Q, Form D.1, the applicant provides the historical and projected utilization for Barbour Court Nursing and Rehabilitation, as illustrated in the following table.

<b>Barbour Court Nursing and Rehabilitation Center - Projected Utilization</b>			
	<b>Partial Fiscal Year (10/1/2024-12/31/2024)</b>	<b>Partial Fiscal Year (01/1/2025-9/30/2025)</b>	<b>Full Fiscal Year 1 (10/1/2025-9/30/2026)</b>
# of Patient Days	12,147	36,044	48,191
Total # of Beds	165	145	145
# of Admissions	43	113	151
Average Length of Stay^	280.2	318.8	318.8
Occupancy Rate	80.02%	91.05%	91.05%

Source: Section Q, Form D.1

^Totals may not sum due to rounding.

In Section Q, Form D, pages 1-2, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant utilized the previous census and admissions from the facility to project interim and FFY 1 utilization.
- Barbour Court Nursing and Rehabilitation is licensed for 165 NF beds and has a current occupancy rate of 80.0%. By relocating 20 NF beds to the proposed facility, the occupancy rate increases to 91.05% at the end of the first operating year of the proposed project, thereby leaving sufficient capacity to meet existing and future patient demand.

The information is reasonable and adequately supported based on the following:

- Relocating NF beds from Barbour Court Nursing and Rehabilitation will increase occupancy rates to 91.05% by FFY2026 which leaves adequate capacity.
- The applicant states that relocating 20 beds to another facility will not affect the patients currently utilizing the facility because these beds are under utilized.

**Access to Medically Underserved Groups**

In Section D, page 52, the applicant states that all of the beds to be relocated,

*“The 20 NF beds from Barbour Court are currently underutilized. Following relocation and development of the 20 existing NF beds at Springbrook, there will be adequate capacity to serve the groups listed above at Barbour Court. As such, the proposed project will have no negative impacts on the underserved groups above.”*

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 applicant's projections are based on historical and recent experiences at each of their facilities.
- Upon completion of the proposed project, Barbour Court Nursing and Rehabilitation projects adequate capacity to meet current and future patient needs, including from medically underserved groups.

### **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 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 relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

In Section E, pages 56-57, 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* – Springbrook's utilization has increased to over 93 percent while utilization at Barbour Court has remained relatively stable proximate to 80 percent., Johnston County has a projected NF bed surplus of 97 (2023 SMFP) and 40 (2024 SMFP) NF beds, the only option is to relocate NF beds from an existing facility in Johnston County in order to increase NF bed capacity at Springbrook. (page 56)



- *Relocate a Different Number of NF Beds* – With Barbour Court’s stable census and the growing utilization at Springbrook, the applicants and related entities believe relocating the 20 beds to Springbrook is both prudent and necessary and that any more than 20 beds, or any less, would be a less effective and more costly alternative.
- *Develop the NF Beds at a Different Location* - the applicants could have also proposed to relocate existing NF inventory to develop a new facility in Johnston County with private rooms but this alternative was quickly dismissed as it would be cost prohibitive and lead to unnecessary disruption at Springbrook and Barbour Court, in addition to a host of other operational challenges.

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. Hillco, Ltd., Everest Long Term Care, LLC, and Britthaven, Inc., (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall relocate no more than 20 nursing facility beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds to Springbrook Nursing and Rehabilitation Center in Clayton, Johnston County.**
- 3. Upon completion of the project Springbrook Nursing and Rehabilitation shall be licensed for no more than 120 nursing facility beds.**
- 4. Upon completion of this project the certificate holder shall take the necessary steps to delicense no more than 20 NF beds from Barbour Court Nursing and Rehabilitation Center leaving a total of 145 nursing facility beds.**
- 5. The certificate holder shall certify at least 65.0% of the total number of licensed nursing home beds in the facility for participation in the Medicaid program and shall**

- provide care to Medicaid recipients commensurate with representation made in the application.**
- 6. 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.**
  - 7. 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 July 1, 2024.**
  - 8. 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.**
  - 9. 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 relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility 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.

<b>SPRINGBROOK NURSING AND REHABILITATION CENTER</b>	
<b>CAPITAL COSTS</b>	
Site Preparation	\$179,252
Construction Contracts	\$2,605,000
Landscaping	\$100,000
Architect/ Engineering Fees	\$130,250
Medical Equipment	\$17,742
Non-Medical Equipment	\$53,225
Furniture	\$70,966
Other	\$473,465
<b>Total</b>	<b>\$3,629,899</b>

In Section Q, Form F.1.a, 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:

- In Exhibit F.1, the applicant provides a letter from the architects certifying the construction costs of \$2,914,502 which includes the construction costs of \$2,605,000 listed above, site preparation of \$179,252, and contingency costs which total \$473,465.
- Based on the applicant's and their affiliate's experience with many projects similar to the one proposed in this application, most recently in Wake County, as well as ongoing renovations to nursing facilities in Vance County.

In Section F.3, pages 60-61, the applicant states that there are no start up or working capital needs for this project.

**Availability of Funds**

In Section F.2, page 58, the applicant states that the capital cost will be funded, as shown in the table below.

<b>Sources of Capital Cost Financing</b>			
<b>Type</b>	<b>Hillco, Ltd.</b>	<b>Everest Long Term Care, LLC</b>	<b>Total</b>
Loans			
Cash and Cash Equivalents, Accumulated reserves, or OE *	\$3,487,967	\$141,932	\$3,629,899
Bonds	\$0	\$0	
Other (Specify)	\$0	\$0	
<b>Total Financing</b>	<b>\$3,487,967</b>	<b>\$141,932</b>	<b>\$3,629,899</b>

\* OE = Owner’s Equity

Exhibit F.2 also contains a letter dated October 16, 2023, from the Treasurer/Secretary of Hilco, Ltd., stating that they would pledge \$3,487,967 for the proposed project. Exhibit F.2 also contains a letter dated October 16, 2023, from the CFO of Principle Long Term Care, Inc., stating that they would pledge \$141,932 for the proposed project.

Exhibit F.2 also contains a copy of the audited financials of Hilco, Ltd. and Affiliates showing cash and cash equivalents of \$228 million as of January 12, 2023.

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 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 Section Q, 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.

Springbrook Nursing and Rehabilitation Center	1 <sup>st</sup> Full Fiscal Year (10/1/2025 – 9/30/2026)	2 <sup>nd</sup> Full Fiscal Year (10/1/2026 – 9/30/2027)	3 <sup>rd</sup> Full Fiscal Year (10/1/2027 – 9/30/2028)
Total Patient Days <sup>^</sup>	37,572	39,447	41,416
Total Gross Revenues (Charges)	\$14,558,657	\$15,285,254	\$16,048,115
Total Net Revenue	\$14,267,483	\$14,979,549	\$15,727,152
Average Net Revenue per Patient Day*			
Total Operating Expenses (Costs)	\$13,204,712	\$13,982,575	\$14,549,569
Average Operating Expense per Patient Day*			
Net Income	\$1,062,771	\$996,974	\$1,177,584

<sup>^</sup> Source: Section Q, Form D, Assumptions and Methodology

\*Sum may differ due to rounding.

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 rates and percentages were projected based on the operators' other existing nursing facilities in North Carolina.
- 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

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.

**C**

The applicant proposes to relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

On page 139, the 2023 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 to Johnston County. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

Table 10A on page 152 of the 2023 SMFP shows a total of 615 existing and approved NF beds in Johnston County. The table below summarizes the existing and approved NFs and beds as shown in the 2023 SMFP.

<b>Johnston County Inventory of Existing/Approved NF Beds</b>				
<b>Facility</b>	<b>Total Licensed NF Beds</b>	<b>CON Bed Transfer</b>	<b>Total Available Beds</b>	<b>Total Planning Inventory</b>
Barbour Court Nursing and Rehabilitation Center	165	0	165	165
Clayton Rehabilitation and Healthcare Center	90	0	90	90
Liberty Commons Nursing and Rehab Ctr of Johnston Cty	100	0	100	100
Smithfield Manor Nursing and Rehab	160	0	160	160
Springbrook Nursing and Rehabilitation Center	100	0	100	100
<b>Total</b>	<b>615</b>	<b>0</b>	<b>615</b>	<b>615</b>

In Section G, page 68, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved NF bed services in Johnston County. The applicant states:

*“The proposed project is to relocate existing NF beds in Johnston County, so the service area is Johnston County. Given the proposed project is to relocate existing NF bed inventory in Johnston County and the total NF bed inventory in the county will not increase or decrease as a result of the project, the proposed project will not result in an unnecessary duplication of existing or approved NF bed services.”*

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 unnecessary duplication of the existing or approved health service facilities located in Johnston County because the NF beds are being relocated within Johnston 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 relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

In Section Q, Form H, page 13, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	Projected FTE Staff		
	1 <sup>st</sup> FFY FY 2026	2 <sup>nd</sup> FFY FY 2027	3 <sup>rd</sup> FFY FY 2028
Registered Nurses	7.7	9.5	9.9
Licensed Practical Nurses	16.4	18.0	18.8
Certified Nurse Aides/Nursing Assistants	37.6	39.43	41.4
Director of Nursing	1.0	1.0	1.0
Asst. Director of Nursing	1.0	1.0	1.0
MDS Nurse	3.0	3.0	3.0
Staff Development Coordinator	1.0	1.0	1.0
Dieticians	1.0	1.0	1.0
Cooks	3.0	3.0	3.0
Dietary Aides	9.0	9.0	9.0
Social Workers	2.0	2.0	2.0
Activities Director	1.0	1.0	1.0
Activities Assistant	0.0	1.0	1.0
Medical Records	1.0	1.0	1.0
Housekeeping	8.0	8.0	8.0
Central Supply	1.0	1.0	1.0
Maintenance/Engineering	1.0	1.0	1.0
Business Office	1.0	1.0	1.0
Clerical	2.0	2.0	2.0
Nursing Home Administrator	1.0	1.0	1.0
Admissions Director	1.0	1.0	1.0
Environmental Services	1.0	1.0	1.0
Floor Technicians	3.0	3.0	3.0
Accounts Receivable Representative	0.5	1.0	1.0
Accounts Payable	1.0	1.0	1.0
<b>TOTAL</b>	<b>105.7</b>	<b>112.4</b>	<b>115.6</b>

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 70-72, 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 based their projections on the operating costs of staffing based on acuity and patient need, size of the unit, and location of nurse's stations.
- Average annual salaries were developed based on the applicant's experience in Johnston County and labor market dynamics.

### **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 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.

### **C**

The applicant proposes to relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

### **Ancillary and Support Services**

In Section I, page 74, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 74-75, the applicant explains how each ancillary and support service is or will be made available and provided supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant provides a listing of each ancillary and support service it will provide and indicates how each will be provided.
- The applicant has extensive experience and relationships with existing ancillary and support service providers in the service area.



### **Coordination**

In Section I, page 75, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibits 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 letters from other local health care providers offering to provide their services to Springbrook Nursing and Rehabilitation.
- The applicant has extensive experience providing skilled nursing and other healthcare support services in the service area and has pre-existing relationships with local healthcare providers.

### **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 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 relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

In Section K, page 78, the applicant states that the project involves constructing 10,420 square feet of new space. Line drawings are provided in Exhibit K.1.

On pages 78-79, 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.3. The site appears to be suitable for the proposed nursing home facility based on the applicant's representations and supporting documentation.

On pages 78-79, 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 will be using modular construction techniques on this project, which means having some components of the building constructed off-site and delivered to the site.
- The applicant will use a design-build method of project delivery along with targeted value design in order to lower project design and construction costs and prevent delays, change orders, and rework that could be costly.
- General contracting services will be provided in-house, thereby further lowering the cost.
- The construction costs are justified based on the architect's cost estimates in Exhibit F.1.

On page 79, 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 proposed project will be built to operate within current state and federal reimbursement levels and private pay rates will be comparable to competitor rates.
- The applicant states that the proposed project will be constructed for a low-to-average cost per square foot for this type of facility.

In Exhibit K.1, 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

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;

**C**

In Section L, page 82, the applicant provides the historical payor mix for both Springbrook Nursing and Rehabilitation, and Barbour Court Nursing and Rehabilitation during FY 2022 , as shown in the table below:

<b>Historical Payor Sources during the Last Full FY 2022</b>		
	<b>SPRINGBROOK NURSING AND REHAB</b>	<b>BARBOUR COURT NURSING AND REHAB</b>
<b>PAYOR SOURCE</b>	<b>% OF TOTAL PTS.</b>	<b>% OF TOTAL PTS.</b>
Self-Pay	8.6%	4.5%

Medicare*	22.9%	4.4%
Medicaid*	55.0%	81.2%
Other (UniHealth and Hospice)	13.5%	9.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\*Including any managed care plans.

In Section L, pages 83-84, the applicant provides the following comparison.

	PERCENTAGE OF TOTAL PATIENTS SERVED BY THE FACILITY OR CAMPUS DURING THE LAST FULL FY <i>SPRINGBROOK NF</i>	PERCENTAGE OF TOTAL PATIENTS SERVED BY THE FACILITY OR CAMPUS DURING THE LAST FULL FY <i>BARBOUR COURT NF</i>	PERCENTAGE OF THE POPULATION OF THE SERVICE AREA <sup>^</sup>
Female	64.9%	68.5%	50.6%
Male	35.1%	31.5%	49.4%
Unknown	0.0%	0.0%	0.0%
64 and Younger	6.4%	18.9%	85.9%
65 and Older	93.6%	81.1%	14.1%
American Indian	0.0%	0.0%	1.0%
Asian	0.0%	0.9%	1.1%
Black or African-American	14.7%	15.3%	18.9%
Native Hawaiian or Pacific Islander	0.0%	0.0%	0.1%
White or Caucasian	65.9%	44.1%	76.3%
Other Race	0.55%	1.7%	17.7%
Declined / Unavailable	18.8%	38.1%	0.0%

<sup>^</sup> Source: United States Census Bureau's QuickFacts

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

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

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 84, the applicant states that the facility is under no obligation to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 84, the applicant states that during the 18 months immediately preceding the application deadline, 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

**C**

In Section L, page 87, the applicant projects the following payor mix for the proposed services during the third full fiscal year (FY 2028) of operation following completion of the project, as shown in the table below.

<b>Springbrook Nursing and Rehabilitation Center</b>		
<b>Projected Payor Mix during the 3rd Full FY 10/30/2027 to 09/30/2028</b>		
<b>Payor Category</b>	<b>Facility</b>	<b>NF Beds</b>
Self-Pay	8.6%	8.6%
Medicare	31.2%	31.2%
Medicaid	60.2%	60.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Tables on page 87 of the application.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 8.6% of total services will be provided to self-pay patients, 31.2% to Medicare patients and 60.2% to Medicaid patients.

On pages 85-86, 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 analyzed payor mix information from 2023 LRAs for Springbrook and Barbour Court nursing facilities.
- The applicant analyzed FFY 2022 payor mix for all other Johnston County nursing facilities.
- The applicant believes the projected payor mix above to be conservative and reasonable based on FFY 2022 Johnston County NF data and experience operating 42 NFs across 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 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 89, 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

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 relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

In Section M, page 90, 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 documentation of outreach to health professional training programs in Exhibit M.1.

In Section M, page 90, the applicant states,

*“The proposed project will seek to continue formalizing and leveraging existing contracts with local area health professional training programs, including those at Wake Technical Community College, Shades of Purple, Johnston Community College, and Vance-Granville Community College. Each of these schools has various health professional training programs. The applicants’ facilities, as well as those of related entities throughout the state, have relationships with numerous institutions that offer nurse training programs and require practical training and Springbrook will continue to leverage those existing relationships.”*

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conditionally 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 relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

On page 139, the 2023 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 to Johnston County. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

Table 10A on page 152 of the 2023 SMFP shows a total of 615 existing and approved NF beds in Johnston County. The table below summarizes the existing and approved NFs and beds as shown in the 2023 SMFP.

<b>Johnston County Inventory of Existing/Approved NF Beds</b>				
Facility	Total Licensed NF Beds	CON Bed Transfer	Total Available Beds	Total Planning Inventory
Barbour Court Nursing and Rehabilitation Center	165	0	165	165
Clayton Rehabilitation and Healthcare Center	90	0	90	90
Liberty Commons Nursing and Rehab Ctr of Johnston Cty	100	0	100	100
Smithfield Manor Nursing and Rehab	160	0	160	160
Springbrook Nursing and Rehabilitation Center	100	0	100	100
<b>Total</b>	<b>615</b>	<b>0</b>	<b>615</b>	<b>615</b>

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 92, the applicant states:

*“This project, if approved, will enhance the benefits of competition in the service area by delivering need-responsive services, state-of-the-art amenities, and staff-oriented workplace practices, all of which will contribute to quality of care. As a result, existing providers must, in order to compete, adjust their practices to this enhanced standard the applicant and their related entities are committed to delivering.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 92, the applicant states:

*“Through the network of related facilities and ancillary services, the applicant and related entities are able to obtain resources and supplies at competitive prices that tend to reduce operating expenses.”*

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

Regarding the impact of the proposal on quality, in Section N, page 92, the applicant states:



*“Principle LTC’s central office includes professionals working in operations, clinical services, financial management, human resources, and risk management, among other departments, that allow for expertise to be disseminated as needed to the network of providers. Similarly, the clinical services team, along with operations, consist of new individuals with a proven track record of providing quality care.”*

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 92, the applicant states:

*“Lastly, the applicant and their affiliated facilities have demonstrated a long-standing commitment to serving the groups considered ‘medically underserved’, and particularly the Medicaid population.”*

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

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 42 of this type of facility located in North Carolina.

In Section O, page 97, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in five of these facilities.

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 42 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.

## NA

The applicant proposes to relocate no more than 20 nursing facility (NF) beds from Barbour Court Nursing and Rehabilitation Center for a total of no more than 120 nursing facility beds.

The Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100, are not applicable to this review because the applicant does not propose to add new NF beds to an existing facility or to develop a new facility.