

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: June 27, 2024

Findings Date: June 27, 2024

Project Analyst: Crystal Kearney

Co-Signer: Gloria C. Hale

Project ID #: F-12491-24

Facility: Waltonwood Mecklenburg

FID #: 240136

County: Mecklenburg

Applicant(s): Waltonwood Mecklenburg, LLC

Project: Develop a new ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, including a 30-bed SCU

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.

Waltonwood Mecklenburg, LLC (referred to as “the applicant”) proposes to develop a new 120-bed adult care home (ACH), including a 30-bed Special Care Unit (SCU), in Charlotte, in Mecklenburg County by relocating 120 existing, licensed ACH beds from an existing facility in Mecklenburg County, Queen City Assisted Living. The new 120-bed ACH facility will be known as Waltonwood Mecklenburg (hereinafter referred to as “Waltonwood”).

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 2024 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2024 SMFP which is applicable to this review: Policy **GEN-4: Energy Efficiency and Sustainability for Health Service Facilities**, on page 30 of the 2024 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. 131E178, 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 projected capital cost for the project is over \$5 million. In Section B, page 26, the applicant states,

“...plans to utilize energy efficient features including LED lighting, automatic lighting fixtures, high efficiency mechanical design, energy star-rated appliances, high

performance building insulation, energy efficient windows, and other features to ensure the new facility is state-of-the art in terms of energy efficiency.”

Moreover, the applicant further states on page 28 that they will “*incorporate water conservation measures such as low-flow plumbing fixtures and water-efficient appliances to ensure improved water conservation priorities.*” The applicant includes a letter from Todd J. Rankine, Licensed Architect, in Exhibit F.1, confirming the applicant’s project design intent to create a more energy efficient and sustainable building.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because they adequately describe how they will ensure energy efficiency and water conservation.
 - The applicant provides documentation from a licensed architect confirming the applicant’s energy efficiency and water conversation plans.
- (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.

NC

The applicant proposes to develop a new ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

Patient Origin

On page 174, the 2024 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility and the existing facility from which the ACH beds are to be relocated are both located in Mecklenburg County. Thus, the

service area for the project is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

The applicant states that Waltonwood Mecklenburg will be a new facility and therefore does not have any historical patient origin. The applicant stated that Queen City Assisted Living is the only facility from which existing beds will be relocated as part of this proposal.

The following table illustrates historical patient origin for Queen City Assisted Living.

Queen City Assisted Living		
Last Full FY 08/01/2021 to 07/31/2022		
County	# of patients	% of Total
ACH Beds		
Cabarrus	2	4.5%
Davie	1	2.3%
Gaston	1	2.3%
Mecklenburg	23	5.23%
Rowan	16	36.4%
Unknown	1	2.3%
Total	44	100.0%

Source: Section C, page 31

The applicant provides the projected patient origin for Waltonwood Mecklenburg, as shown in the table below.

Waltonwood Mecklenburg Projected Patient Origin						
	1 st Full FY		2 nd Full FY		3 rd Full FY	
County	FY 2028		FY 2029		FY 2030	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Mecklenburg	48	79%	73	79%	85	79%
Other NC Counties*	5	8%	7	8%	9	8%
SC & Other States	8	13%	12	13%	14	13%
Total	61	100%	92	100%	108	100%

Source: Section C, page 34

*Other NC Counties includes Cabarrus, Davie, Gaston, Rowan, Union, Wake, and other NC counties.

In Section C, page 34, 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 states that the projections are based on the applicant's historical experience with patient origin for the residents it serves at its two Mecklenburg County ACH facilities.

- The applicant states that the applicant's projections considered the available patient origin data from Queen City Assisted Living.

Analysis of Need

In Section C, pages 36 - 43, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states that the patients projected to be served need a new facility because the Queen City Assisted Living facility is not operational and is not providing care to patients at this time.
- The applicant states that Waltonwood Mecklenburg will provide area residents and those seeking ACH care with a viable facility alternative that is not currently available at the Queen City Assisted Living facility.
- The applicant states that the applicant relocation and development of the 120 existing ACH beds will enable the applicant to provide a brand new, state-of-the-art facility for residents of Mecklenburg County and surrounding areas.
- The applicant states that the applicant proposes to include a SCU in the new facility to meet patient demand for such a unit.
- The applicant states that the applicant proposal is based on several factors which relate to the needs of Mecklenburg County residents expected to utilize the proposed ACH beds including Mecklenburg County sizable population, regional appeal, growth trends, aging population, reported increases in adult life expectancy among residents, community support for Waltonwood, data on area populations patient demand for quality ACH services, need for SCU memory care, Waltonwood commitment to CON project development, and ability to locate in population-dense southern Mecklenburg County area.

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

- The applicant provides population data that demonstrates the need for the ACH beds proposed to be relocated.
- The applicant demonstrates that the beds proposed to be replaced and relocated to a newly developed facility with an SCU, in the proposed location, are needed to address the demand for ACH and SCU services.

Projected Utilization

The applicant provides projected utilization for the first three full fiscal years which correspond to calendar years 2028, 2029, and 2030, as illustrated in the following table.

Historical and Projected Health Service Facility Bed Utilization Waltonwood Mecklenburg			
	1st Full FY	2nd Full FY	3rd Full FY
	1/1/2028 - 12/31/2028	1/1/2029 - 12/31/2029	1/1/2030 - 12/31/2030
ACH- All Beds			
# of Beds	120	120	120
# of Admissions	20	31	37
# of Patient Days	22,025	33,442	39,481
Average Length of Stay	1,079	1,079	1,079
Occupancy Rate	50%	76%	90%
ACH- SCU			
# of SCU Beds	30	30	30
# of Admissions	9	9	10
# of Patient Days	9,900	10,225	10,650
Average Length of Stay	1,079	1,079	1,079
Occupancy Rate	90%	93%	97%

Source: Section Q, page 116, Form D.1

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

- The applicant states that to develop its projected utilization, it analyzed its actual historical data for the opening and initial operation of its Waltonwood facilities in the highly populated counties of Wake and Mecklenburg.
- The applicant states that to develop its projections, the applicant next used its historical data to project occupancy for Years One and Two.
- The applicant states that to determine a reasonable Year Three utilization target for its proposed facility, the applicant examined the historical patient data for its two existing facilities in Mecklenburg County. Both facilities include a Special Care Unit.
- The applicant relied on average length of stay for its two existing facilities in Mecklenburg County.
- The applicant states that the applicant combined its Year One and Two projections with the projection for Year Three representing the ongoing experience at the facility moving forward.

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

- The facility from which the ACH beds are proposed to be relocated is closed and the residents are currently not being served.
- The occupancy rates are based on the applicant’s experience opening and operating other ACH facilities in highly populated areas in the state.
- The projections consider the strong demand for SCU services.

Access to Medically Underserved Groups

In Section C, page 63, the applicant states:

“The applicant will afford access to all individuals seeking care who require the services proposed and are appropriate for the level of care offered in ACH setting and will not discriminate based on age nor social, racial, ethnic, or gender-related characteristics.

All persons will have access to the proposed facility upon demonstration of care needs consistent with the ACH services to be offered.”

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table from page 63.

Medically Underserved Groups	Percentage of Total Patients during the Third Full FY
Low income persons	3%
Racial and ethnic minorities	43.6%
Women	51.6%
Persons with Disabilities	No Basis to Estimate
Persons 65 and older	100%
Medicare beneficiaries	100%
Medicaid recipients	0%

However, the applicant does not adequately describe the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services because it does not propose to provide any of its proposed services to Medicaid recipients.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review process and used by the Agency
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reason 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.

NA

The applicant proposes to develop a new ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

In Section D, page 67, the applicant states that no ACH beds were occupied at Queen City Assisted Living during FY2023. The applicant provides supporting documentation in Exhibit B.2. Since there is no population presently being served at Queen City Assisted Living, Criterion (3a) is not applicable to this review.

- (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.

NC

The applicant proposes to develop a new ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

In Section E, pages 72-74, 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

This applicant states it did not decide to maintain the status quo by not relocating the beds because it would not be effective in meeting the needs of the growing and aging Mecklenburg County population for vital ACH services. Queen City Assisted Living is not operational and thus offers no ACH services despite its location in a geographically large and highly populated county in North Carolina. The applicant states its proposal will not increase the existing inventory of ACH beds but will put beds back into service to meet residents' needs. Because the "status quo" is not effective in offering important ACH services, the applicant did not select to maintain the status quo.

Purchase and Renovate Queen City Assisted Living

The applicant dismissed this alternative based on the age and condition of Queen City Assisted Living and the extent of renovations that would likely be required to offer state-of-the-art ACH services, including spaces meeting the applicable requirements for ACH and SCU beds. Therefore, this was not the most effective alternative.

Develop the ACH Beds in Another County

The applicant states that because Mecklenburg County is a populous county with an increasing number of residents, the alternative of relocating the ACH beds out of Mecklenburg County was determined not to be an effective alternative to meet the need that exists and is forecasted

for Mecklenburg County. Therefore, moving the beds to a less populous area was determined not to be the most effective alternative.

The proposed project would meet the need that exists in Mecklenburg County for ACH beds and memory care services. There are 120 licensed ACH beds in the Mecklenburg County inventory located at Queen City Assisted Living, which are not currently operational. applicant In Section E, pages 73-74, the applicant states that its proposal is the most effective alternative because it will use its expertise to develop a facility that puts the existing 120 ACH beds to their highest and best use in a building with state-of-the-art amenities and energy saving features to offer residents a comfortable, home-like setting to receive ACH services.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need because the application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be an effective alternative to meet the need.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reason stated above. Therefore, the application is denied.

- (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 ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

Capital and Working Capital Costs

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

Land Purchase Price	\$7,000,000
Construction Cost	\$57,650,223
Architect/ Engineering Fees	\$2,130,000
Medical Equipment	\$500,400
Non Medical Equipment	\$500,400
Furniture	\$500,400
Consultant Fees	\$360,000
Other	\$738,880
Total	\$69,380,303

In Section Q, immediately following Form F.1a, 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 provided an estimate for the cost of acquiring the land based on discussion with a seller's agent and its historical experience.
- The applicant identified construction cost pursuant to the cost estimate of a licensed architect (see Exhibit F.1).
- The applicant based its other costs on its experience developing and opening similar ACH facilities in the state.

In Section F, pages 77-78, the applicant projects that start-up costs will be \$50,000 and initial operating expenses will be \$1,758,873 for a total working capital of \$1,808,873. On pages 77-78, 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 based on the following:

- The applicant states that the initial operating period will include four (4) months during which cash outflow (operating costs) for the entire facility will exceed cash inflow (revenues) for the entire facility.
- The applicant states that it is an experienced provider of ACH services and has considerable experience in facility operations which have informed its estimates as to the duration of the initial operating period.

Availability of Funds

In Section F, page 75, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Waltonwood Mecklenburg, LLC	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$69,380,000	\$69,380,303
Bonds	\$	\$0
Other (Specify)	\$	\$0
Total Financing	\$69,380,303	\$69,380,303

* OE = Owner's Equity

In Section F, page 79, 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	Amount
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$1,808,873
Lines of credit	\$0
Bonds	\$0
Total	\$1,808,873

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

- In Exhibit F.2, the applicant provides a letter from SINGH Development Company (SINGH). The letter states that SINGH commits up to \$72 million in accumulated reserves to the applicant to finance all capital costs and working capital costs of this project.
- In Exhibit F.2b, the applicant provides a letter from Comerica Bank. The letter states it has provided services to the Singh family of companies and its members and owners for over 60 years and states that Singh Development Company has sufficient funds to cover the anticipated capital costs and working capital requirements associated with its proposed project.

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.

Projected Revenues and Net Income upon Project Completion ACH Services Waltonwood Mecklenburg	1st Full FY 2028	2nd Full FY 2029	3rd Full FY 2030
Total Days	22,025	33,442	39,481
Total Gross Revenues (Charges)	\$6,100,167	\$9,439,720	\$11,446,120
Total Net Revenue	\$7,444,167	\$11,839,720	\$13,846,120
Average Net Revenue per &	\$338	\$354	\$351
Total Operating Expenses (Costs)	\$7,659,294	\$9,463,199	\$9,711,981
Average Operating Expense per &	\$348	\$282	\$246
Net Income	(\$215,127)	\$2,376,521	\$4,134,140

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, pages 116 and 124-126.

The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant provides its revenue and operating cost assumptions based on its experience operating ACH facilities in the state.
- 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
- Remarks made at the public hearing

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.

The applicant proposes to develop a new ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

On page 179, the 2024 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility will be located in Mecklenburg County. Thus, the service area for this project is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

The applicant indicates that there are currently a total of 50 facilities in Mecklenburg County with licensed ACH beds. The table below is a summary of those facilities, from the 2024 SMFP, Chapter 11, Tables 11A and 11E, pages 197-198 and pages 217-218, respectively.

Mecklenburg County ACH Facilities	ACH Beds
Arbor Ridge at Huntersville	40
Brighton Gardens of Charlotte	125
Brookdale Carriage Club Providence II	34
Brookdale Charlotte East	50
Brookdale South Charlotte	82
Brookdale South Park	56
Brookdale Weddington Park	83
Cadence Huntersville	96
Cadence Senior Living at Mint Hill	84
Charter Senior Living of Charlotte	104
East Towne	120
Hunter Village	68
Legacy Heights Senior Living Community	122
Matthews Health & Rehab Center	10
Merry Wood on Park	20
Mint Hill Senior Living	82
Northlake House	48
Oakbridge Terrace @ Matthews Glen	60
Parker Terrace	53
Pineville Rehabilitation and Living Center	10
Preston House	40
Queen City Assisted Living (Facility closed)	120
Ranson Ridge at the Villages of Mecklenburg	100
Saturn Nursing and Rehabilitation Center	20
Summit Place of Southpark	120
Sunrise on Providence	95
TerraBella Little Avenue	62
The Charlotte Assisted Living	119
The Haven in Highland Creek	60
The Haven in the Village at Carolina Place	60
The Little Flower Assisted Living	49
The Parc at Sharon Amity	64
The Pines on Carmel Senior Living	125
The Terrace at Brightmore of South Charlotte	34
University Place Nursing and Rehabilitation Center	10
Waltonwood at Providence	80
Waltonwood Cotswold (85 beds added per settlement agreement)	125
Wickshire Steele Creek	90
Willow Ridge Assisted Living	52

In Section G, page 85, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved adult care home services in Mecklenburg County. The applicant states:

“...will merely relocate and bring back into operation bed inventory already approved and “counted” in the State Medical Facilities Plan for Mecklenburg County.

...

No 'new beds' will be developed as part of this proposed project and thus the beds that will be included in the proposed facility will not be additional beds in the County's inventory."

However, the applicant does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following:

- The applicant did not adequately demonstrate the extent to which all residents of the area, and, in particular, underserved groups are likely to have access to the services proposed. The discussion regarding analysis of need, including access to the proposed services by underserved groups, found in Criterion (3) is incorporated herein by reference.
- The applicant is not conforming to all statutory and regulatory review criteria, thus it cannot demonstrate that its proposal is needed in addition to the existing and approved ACH beds in the Mecklenburg County service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information publicly available during the review process and used by the Agency

Based on that review, the Agency concludes that the application is not 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 ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

In Section Q Form H, the applicant provides current and projected full-time equivalent (FTE) positions for the proposed services, as illustrated in the following table:

POSITION	PROJECTED STAFF 1 ST FULL FY	PROJECTED STAFF 2 ND FULL FY	PROJECTED STAFF 3 RD FULL FY
Licensed Practical Nurses	2	2	2
Certified Nurse Aides/Nursing Assistants	40	60	60
Director of Nursing	1	1	1
Cooks	6	7	7
Activities Director	2	2	2
Housekeeping	5	7	7
Maintenance /Engineering	3	3	3
Administrator/CEO	1	1	1
Business Office	1	1	1
Clerical	7	7	7
Total	68	91	91

The assumptions and methodology used to project staffing are provided in Section Q immediately following Form H. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section H, pages 86-88, 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 provides the assumptions and methodology used to project staffing.
- The applicant provides the methods to be used to recruit or fill new positions and proposed training and continuing education programs.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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.

The applicant proposes to develop a new ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

Ancillary and Support Services

In Section I, page 89, the applicant identifies the necessary ancillary and support services for the proposed ACH services. On page 89, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I-1.

The applicant adequately demonstrates that the necessary ancillary and support services will be made available because the applicant identifies the necessary ancillary and support services for ACH patients located in or near Mecklenburg County and how these services will be made available.

Coordination

In Section I, page 90, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit C.4. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system because the applicant received support letters from BAYADA Home Health Care and other area businesses and pharmacies for the project which show an intent to coordinate services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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.

- (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

- (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 ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

In Section K, page 93, the applicant states that the project involves constructing 143,389 square feet of new space. Line drawings are provided in Exhibit K-1.

On page 93, 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 ACH based on the applicant's representations and supporting documentation.

On pages 93-94, 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 provides a letter from a licensed architect confirming construction plans and estimated costs in Exhibit F.1.
- The applicant states that the facility is planned to meet the requirements of the North Carolina State Building Code for new construction and the applicable rules of the North Carolina Division of Environmental Health.
- The applicant states that in addition to meeting all applicable building codes and licensure regulations for adult care homes, the proposed facility will include a 30 – bed Special Care Unit that meets all applicable building requirements.

On pages 94-95, 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 Queen City Assisted Living is not operational; the project proposed in this application will effectively bring back “online” the beds in the inventory which are currently not providing patient care services.
- The applicant states that it will rely on its years of experience to negotiate and manage the construction of the proposed facility in a timely and cost-efficient manner.

In Section K, page 95 the applicant identifies applicable energy saving features and water conservation measures that will be incorporated into the construction plans and provides supporting documentation in Exhibit F.1 and K-1.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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;

Waltonwood Mecklenburg is not an existing facility; thus, it has no historical data to report. 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

Waltonwood Mecklenburg 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

NC

In Section L, page 101, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Category	Percentage of Total Patients Served
Self-Pay	100.0%
Total	100.0%

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 100% of total services will be provided to self-pay patients. However, the applicant does not project to serve Medicaid recipients. Therefore, the applicant does not adequately demonstrate that medically underserved groups will be served by the proposed services and the extent to which they will be served.

On page 102, 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 not reasonable and adequately supported because the applicant does not demonstrate that it will serve medically underserved groups, including Medicaid recipients.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion for 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 105, 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
- Remarks made at the public hearing

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 ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

In Section M, page 106, the applicant describes the extent to which area 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 will offer the facility as a clinical learning site for students in and around Mecklenburg County.
- The applicant states that while it remains open to expanding its outreach to additional programs, it has also contacted Central Piedmont Community College's Levine Campus to offer program access at the proposed facility.
- In Exhibit M-1, the applicant includes a letter from Central Piedmont Community College offering the facility as a clinical training site.

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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

NC

The applicant proposes to develop a new ACH by relocating no more than 120 ACH beds from Queen City Assisted Living, which has no residents, including a 30-bed SCU upon project completion.

On page 171, the 2024 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility will be located in Mecklenburg County. Thus, the service area for this project is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

The applicant indicates that there are currently a total of 50 facilities in Mecklenburg County with licensed ACH beds. The table below is a summary of those facilities, from the 2024 SMFP, Chapter 11, Tables 11A and 11E, pages 197-198 and pages 217-218, respectively.

Mecklenburg County ACH Facilities	ACH Beds
Arbor Ridge at Huntersville	40
Brighton Gardens of Charlotte	125
Brookdale Carriage Club Providence II	34
Brookdale Charlotte East	50
Brookdale South Charlotte	82
Brookdale South Park	56
Brookdale Weddington Park	83
Cadence Huntersville	96
Cadence Senior Living at Mint Hill	84
Charter Senior Living of Charlotte	104
East Towne	120
Hunter Village	68
Legacy Heights Senior Living Community	122
Matthews Health & Rehab Center	10
Merry Wood on Park	20
Mint Hill Senior Living	82
Northlake House	48
Oakbridge Terrace @ Matthews Glen	60
Parker Terrace	53
Pineville Rehabilitation and Living Center	10
Preston House	40
Queen City Assisted Living (Facility closed)	120
Ranson Ridge at the Villages of Mecklenburg	100
Saturn Nursing and Rehabilitation Center	20
Summit Place of Southpark	120
Sunrise on Providence	95
TerraBella Little Avenue	62
The Charlotte Assisted Living	119
The Haven in Highland Creek	60
The Haven in the Village at Carolina Place	60
The Little Flower Assisted Living	49
The Parc at Sharon Amity	64
The Pines on Carmel Senior Living	125
The Terrace at Brightmore of South Charlotte	34
University Place Nursing and Rehabilitation Center	10
Waltonwood at Providence	80
Waltonwood Cotswold (85 beds added per settlement agreement)	125
Wickshire Steele Creek	90
Willow Ridge Assisted Living	52

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 107, the applicant states:

“The applicant will draw on its experience in offering two 4-Star Rated ACH facilities in Mecklenburg County; the proposed service at Waltonwood Mecklenburg can be expected to have a positive impact on the cost-effectiveness, quality, and access to ACH services now available in that area.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 107, the applicant states:

“By relying on its proven ability to efficiently negotiate and manage facility construction projects, the applicant will cost-effectively develop ACH services at its newly built site.”

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

Regarding the impact of the proposal on quality, in Section N, page 107, the applicant states:

“The new Waltonwood facility will positively impact competition by incentivizing area providers to offer quality care at competitive rates to attract new residents.”

See also Section O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 107, the applicant states:

“The applicant will offer access to residents without regard race, color, creed, age, ethnic or national origin, religion, gender, disability, or income status.”

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

However, the applicant does not adequately describe the expected effects of the proposed services on competition in the area and does not adequately demonstrate the proposal would have a positive impact on cost-effectiveness, quality, and access. The applicant does not adequately demonstrate that medically underserved groups will have access to the proposed services because the applicant does not propose to provide its services to Medicaid recipients. The discussions regarding analysis of need, including access to services by medically underserved groups, and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference. A project that cannot demonstrate the need for the services proposed and a project that cannot demonstrate it is the least costly or most effective alternative cannot demonstrate how any enhanced competition will have a positive impact on access for medically underserved groups.

Conclusion

The Agency reviewed the:

- Application.
- Exhibits to the application
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion for 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 Facilities, the applicant identifies the adult care homes located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of four facilities of this type located in North Carolina.

In Section O, page 113, the applicant states that during the 18 months immediately preceding the submittal of the application, an incident related to quality of care occurred in one of the facilities.

According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of the decision, an incident related to quality of care occurred in one of these facilities. The facility is back in compliance. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all four ACH 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 120 existing licensed ACH beds, including 30 SCU beds, from Queen City Assisted Living in Mecklenburg County to develop a new facility in Charlotte. The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C.1100 are not applicable because they do not apply to a proposal to relocate existing licensed adult care home beds.