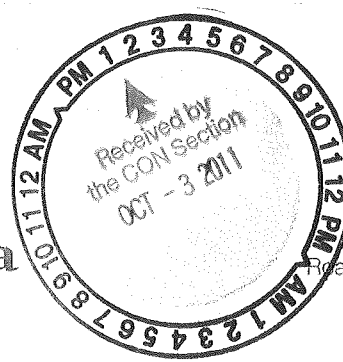




Medical Facilities of North Carolina



Corporate Office
P.O. Box 29600
Roanoke, Virginia 24018-0796

October 3, 2011

Mr. Craig Smith, Chief
Certificate of Need Section
North Carolina Division of Health Service Regulation
701 Barbour Dr.
Raleigh, NC 27603

Re: Wake County Health & Rehabilitation Project I.D. # J-8712-11
CON Application for the Development of 120 Nursing Home Beds in Wake County
CON Application number: Project I.D. # J-8721-11

Dear Mr. Smith:

The future is now. Hospitals have long recognized that private rooms not only contribute to better patient clinical outcomes, but also a better quality of life and customer experience for their patients and families. Imagine the patient's dismay and emotional stress after being discharged from a private room at a hospital into a traditional shoulder-to-shoulder semi-private room for a short term or long term stay at a nursing home. Aside from the concerns of nosocomial infections, there are high levels of anxiety with receiving personal care with only a curtain separating them from their roommate. This "unwilling observer" issue is most concerning during end of life for patients and their loved ones. This trend can stop and a new standard to be set with the approval of Wake County Health and Rehabilitation (WCHR) which proposes virtually all private rooms for its short and long term patients, regardless of payor source.

Medical Facilities of North Carolina (MFNC) has been serving the short and long term care nursing home needs of North Carolina residents for over 20 years. We recognize it is an honor and privilege to be entrusted with caring for one of the state's most vulnerable population; the elderly. We currently serve over 1,000 patients in North Carolina alone with our trademarked programming including The Recovery Map, Advanced Rehabilitation and Conditioning, the 24 Hour Experience, Bridge Builders and LVAD.

Improving access to health care is an essential health care planning goal. The area of the Wake County with the fewest nursing home beds per 1,000 population 65+ is the Cary/Morrisville area with only 13.64 beds/1,000. The WCHR project is centrally located in the Cary/Morrisville area and easily accessible with its location off of Davis Drive. WCHR also provides the most access to Medicaid & Medicare patients (94.7%) of all the applications. Approval of WCHR will improve access to health care to the fastest growing part of the Wake County.

To ensure the project met the local needs, WCHR representatives sought the involvement of 19 community members including health care systems and professionals, existing retirement and assisted living operators, the Alzheimer's Association, Wake County Human Services, technical

community colleges and Cary government officials for their input and involvement in the WCHR project.

Finally, WCHR's proposed construction costs, private pay rates, total operating costs, staffing and salaries are reasonable compared to recently approved applications and existing providers in Wake County. The approval of the WCHR is the most efficient alternative of the applications submitted for 120 of the 240 beds in Wake County.

Please do not hesitate to call me should you have any questions.

Thank you in advance to your time and consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Hedrick", with a stylized flourish extending to the right.

Bruce H. Hedrick

Vice President of Development

**Comments in Opposition from
Wake County H & R Re, Limited Partnership, et al.
Regarding a Certificate of Need Application Submitted by
Universal Properties/Fuquay-Varina
in Response to a Need Determination for 240 Nursing Facility Beds
in the Wake County Service Area
Submitted August 15, 2011 for September 1, 2011 Review Cycle**

I. Introduction

In accordance with N.C.G.S. Section 131E-185(a1)(1), Wake County H & R Re, Limited Partnership, Wake County H & R Ops, Limited, Medical Facilities of America, Inc., and Medical Facilities of North Carolina, Inc. (collectively referred to herein as "Wake County Health and Rehabilitation (WCHR)") submit the following comments regarding a Certificate of Need Application submitted by Universal Properties/Fuquay-Varina in response to a need determination for 240 nursing facility beds in the Wake County Service Area for the September 1, 2011 review cycle.

The following 16 CON applications were submitted in response to a need determination for 240 nursing facility beds in the Wake County Service Area in the *2011 State Medical Facilities Plan (2011 SMFP)*:

- J-8711-11: Hillcrest Convalescent Center – develop a 120-bed nursing facility in Wake Forest
- J-8712-11: Wake County H & R Re, Limited Partnership – develop a 120-bed nursing facility called Wake County Health and Rehabilitation in Cary
- J-8713-11: Britthaven d/b/a Cedar Fork Health and Rehabilitation Center – develop a 120-bed nursing facility in Morrisville
- J-8714-11: Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh – Add 20 nursing facility beds for a total of 132 nursing facility beds
- J-8715-11: Britthaven d/b/a St. Mary's Health and Rehabilitation Center – develop a 100-bed nursing facility in Garner
- J-8717-11: AH North Carolina Owner, LLC – develop a 90-bed nursing facility on the campus of The Heritage of Raleigh
- J-8719-11: UniHealth Post Acute Care – Raleigh – add 20 nursing facility beds for a total of 170 nursing facility beds
- J-8720-11: UniHealth Post Acute Care – Cary – develop a 100-bed nursing facility in Morrisville
- J-8721-11: Universal Properties/Fuquay-Varina – add 60 nursing facility beds for a total of 109 nursing facility beds and 31 adult care home beds, convert 24 adult care home beds to an Alzheimer's unit
- J-8722-11: UniHealth Post Acute Care – North Raleigh – develop a 120-bed nursing facility in Northwest Raleigh

- J-8723-11: Liberty Healthcare – develop a 130-bed nursing facility in Garner by relocating 10 nursing facility beds from Capital Nursing and developing 120 additional beds
- J-8726-11: Liberty Healthcare – develop a 130-bed nursing facility in Morrisville by relocating 10 NF beds from Capital Nursing and developing 120 additional beds
- J-8727-11: Liberty Healthcare – develop a 130-bed nursing facility in North Raleigh by relocating 10 nursing facility beds from Capital Nursing and developing 120 additional beds
- J-8729-11: E.N.W, LLC/Bella Rose Nursing and Rehab Center – develop a 100-bed nursing facility in southeast Raleigh
- J-8730-11: Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary – develop a 120-bed nursing facility in Cary
- J-8731-11: Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh – develop a 120-bed nursing facility in Raleigh.

II. Comparative Analysis

The Comparative Analysis in Attachment 1 shows that **Wake County Health and Rehabilitation** is the most effective alternative for a new nursing facility in Wake County, and specifically, within the Cary/Morrisville region of Wake County.

III. Universal Properties/Fuquay-Varina CON Application

Universal Properties/Fuquay-Varina submitted the following CON Application:

- J-8721-11: Universal Properties/Fuquay-Varina – add 60 nursing facility beds for a total of 109 nursing facility beds and 31 adult care home beds, convert 24 adult care home beds to an Alzheimer’s unit

The Universal Properties/Fuquay-Varina CON Application seeks to add beds to an existing nursing facility in Fuquay-Varina.

The following table shows the capital expenditure and working capital required by the Universal Properties/Fuquay-Varina CON Application.

**Universal Properties/Fuquay-Varina CON Application
Additional Beds to Existing Wake County Nursing Facility**

CON Application	Capital Expenditure	Total Working Capital	Grand Total
J-8721-11	\$3,541,100	\$410,000	\$3,951,100

The proposed additional beds will become operational on October 1, 2013.

As discussed in detail below, the Universal Properties/Fuquay-Varina CON Application should not be approved because it does not conform to multiple CON Review Criteria.

IV. CON Criteria and Standards for Nursing Facility (10A NCAC 14C .1100 et seq.)

On May 11, 2010, the CON Section issued a certificate of need to Universal Properties/Fuquay-Varina, LLC to replace a nursing facility on a new site for a capital expenditure of \$7,585,165. On July 27, 2011, DHSR issued a Declaratory Ruling for Change of Site for Project I.D. # J-8449-09.

The nursing facility in Fuquay-Varina remains licensed, and has filed an annual License Renewal Application each federal fiscal year through FFY 2010. A 2011 License Renewal Application is on file with DHSR.

CON Criteria and Standards for Nursing Facility contain a Performance Standard (10A NCAC 14C .1102(a)) that requires an applicant proposing to expand an existing nursing facility to show that it had an occupancy rate of at least 90% in the nine months before submission of a CON application.

On August 11, 2011, Universal Properties/Fuquay-Varina, LLC and Universal Healthcare/Fuquay-Varina, Inc. submitted a Request for Declaratory Ruling under which they requested approval of DHSR to expand its approved 80-bed nursing facility in Fuquay-Varina. In that Request for Declaratory Ruling, the parties allege that the facility has not been open since 2007, was voluntarily de-certified from Medicare and Medicaid in May 2008, and had no utilization to report. The parties specifically requested a ruling that the Performance Standard (10A NCAC 14C .1102(a)) is inapplicable to its August 15, 2011 CON Application (J-8721-11).

The term "existing" is not defined in CON Criteria and Standards for Nursing Facility.

A ruling from DHSR on the August 11, 2011 Request for Declaratory Ruling is outcome determinative of the Universal Properties/Fuquay-Varina CON Application. Issuance of a Declaratory Ruling will permit the CON Application to be considered in the September 1, 2011 Review Cycle. A denial of the Declaratory Ruling, however, will require that Universal Properties/Fuquay-Varina show conformity with Performance Standard (10A NCAC 14C .1102(a)), a requirement that it cannot meet. That non-conformity should result in a denial by the CON Section of the Universal Properties/Fuquay-Varina CON Application.

V. CON Review Criteria

The following comments are submitted based upon the CON Review Criteria found at G.S.131E-183. While some issues impact multiple Criteria, they are discussed under the most relevant review Criteria and referenced in others to which they apply.

G.S. 131E-183 (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.

There are three *State Medical Facilities Plan (SMFP)* Policies applicable to the review of Wake County Nursing Facility Beds:

- Policy NH-8: Innovations in Nursing Facility Design
- Policy GEN-3: Basic Principles
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

As will be discussed in the context of CON Review Criteria (3), (4), (6), (18a), and (20), Universal Properties/Fuquay-Varina does not demonstrate:

- Need for the proposed project;
- That it will maximize health care value for resources expended; and
- That it will encourage provision of quality health care services.

As a result, Universal Properties/Fuquay-Varina CON Application does not conform to Policy GEN-3 and CON Review Criterion (1).

G.S. 131E-183 (3)

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

Should DHSR issue a Declaratory Ruling, finding that the Performance Standard (10A NCAC 14C .1102(a)) is inapplicable to Universal Properties/Fuquay-Varina, then the Performance Standard (10A NCAC 14C .1102(a)) should nevertheless be used as a proxy for a determination of need for additional beds under CON Criterion (3).

CON Criterion (3), therefore, serves as a gatekeeper – requiring each applicant to demonstrate that a defined population has a need for the services/facilities proposed.

According to the 2011 License Renewal Application, **Universal Properties/Fuquay-Varina's** 49-bed facility had an **annual occupancy rate of 0%** during the last federal fiscal year (FFY 2010). At an annual occupancy rate of 0%, none of the 49 licensed nursing facility beds were occupied in FFY 2010.

An applicant with an existing facility in a defined service area not operating at an occupancy rate of at least 90% in the most recent fiscal year before submission of a CON application cannot be determined to demonstrate a need to increase its total nursing facility bed inventory in that service area.

There is no need at the existing facility for an additional 60 nursing facility beds when none of the 49 licensed nursing facility beds were occupied in FFY 2010.

Universal Properties/Fuquay-Varina's reported that its 49-bed facility "suffered irreparable water damage" in September 2007. That facility was "voluntarily decertified from the Medicaid and Medicare programs as of May 30, 2008." As such, **none of the 49 licensed nursing facility beds have been occupied since September 2007 – 4 years ago.**

In the last four years, there has been expansion of the Wake County nursing facility bed inventory to include several new continuing care retirement communities (CCRCs). In May 2010, the CON Section approved a transfer of 90 nursing home beds from City of Oaks in Raleigh to Britthaven of Holly Springs, a new facility that will serve the southern Wake County market. Additionally, WakeMed - Fuquay-Varina 36-bed nursing facility had a 79.8% occupancy rate in FFY 2010.

Universal Properties/Fuquay-Varina seeks to add 60 new beds when it does not yet know if there is a need for its 49 licensed beds.

Given the aforementioned circumstances, Universal Properties/Fuquay-Varina has not demonstrated a need for any new nursing facility beds in Wake County as required for conformity with CON Review Criterion (3).

G.S. 131E-183 (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.

As discussed in the context of CON Review Criterion (3), Universal Properties/Fuquay-Varina cannot demonstrate a need to develop any new nursing facility beds in Wake County. Consequently, Universal Properties/Fuquay-Varina has not proposed the least costly or most effective alternative as required to demonstrate conformity with CON Review Criterion (4).

G.S. 131E-183 (6)

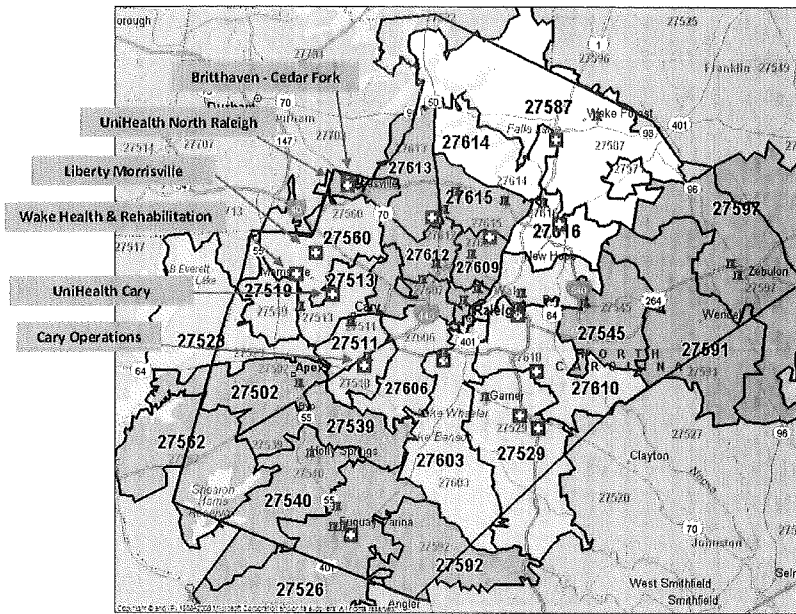
The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

As discussed in the context of CON Review Criterion (3), Universal Properties/Fuquay-Varina has not demonstrated a need to develop any new nursing facility beds in Wake County. Development of new nursing facility beds in Wake County will result in an unnecessary duplication of existing and approved health service capabilities facilities. Accordingly, Universal Properties/Fuquay-Varina has not demonstrated conformity with CON Review Criterion (6).

WCHR provided a detailed location analysis by geographic region in Wake County, which analysis supports the location of, at a minimum, 120 new nursing facility beds in the

Morrisville/Cary region of Wake County. As reflected in the following map, four of the sixteen applicants propose to locate a new facility in the WCHR-defined Morrisville/Cary region of Wake County (green), and two proposed to locate a new facility in Brier Creek (zip code 27617), identified as Morrisville in their applications. Those six facilities are identified in the following map.

Current and Proposed NH Locations - Wake County



Blue Crosses - Proposed Locations
Brown Pushpins - Existing Locations

Universal Properties/Fuquay-Varina is located in zip code 27526, which is in the Apex/Holly Springs/Fuquay-Varina area of Wake County (in red in the previous map).

The following table identifies existing and the number of proposed facilities by WCHR-defined geographic region.

Location Analysis

GEOGRAPHIC REGION	LEGEND FOR PREVIOUS MAP	NUMBER OF EXISTING FACILITIES**	NUMBER OF EXISTING AND CON APPROVED BEDS	BEDS PER 1000 POPULATION OVER 65	NUMBER OF PROPOSED NEW NURSING FACILITIES
Cary/Morrisville	Green	3	199	13.64	4 / 6*
North/Wake Forest	Yellow	2	242	28.51	1
Knightdale/Wendell/Zebulon	Purple	3	159	29.14	0
Central Raleigh	Blue	8	718	29.15	2 / 4*
East Raleigh/Garner	Orange	5	580	31.58	4
Apex/Holly Springs/Fuquay Varina	Pink	4	317	34.15	0
Total		25	2215	27.41	13

Source: WCHR CON Application, Exhibit 7, Tables 18, 19

**Two facilities self-identified the proposed location as Morrisville.*

***Reflects the relocation of beds to Britthaven of Holly Springs*

The previous table shows that the Cary/Morrisville region of Wake County has the lowest beds per thousand population for the 65+ population. The Apex/Holly Springs/Fuqua Varina region of Wake County has the highest ratio of nursing facility beds to the population 65+. The proposed facility therefore is not the most effective alternative from a geographic perspective.

Universal Properties/Fuquay-Varina has not carried its burden to demonstrate that the proposed project will not result in unnecessary duplication of existing and approved nursing facilities and capabilities. As a result, the Universal Properties/Fuquay-Varina CON Application does not conform to CON Review Criterion (6).

G.S. 131E-183 (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.

As discussed in the context of CON Review Criteria (1), (3), (4), 6), and (20), Universal Properties/Fuquay-Varina does not demonstrate:

- Need for the proposed project;
- That it will maximize health care value for resources expended; and
- That it will encourage provision of quality health care services.

Furthermore, Universal Properties/Fuquay-Varina is an existing facility in Wake County. Therefore, it is not a new entrant into the Wake County nursing facility market, and will not enhance competition and choice in that market. Consequently, Universal Properties/Fuquay-Varina has not demonstrated conformity with CON Review Criterion (18a).

G.S. 131E-183 (20)

An applicant already involved in the provision of health services shall provide evidence that quality of care has been provided in the past.

On page 40 of its CON application (J-8714-11), related entity Universal Properties/North Raleigh reports three monetary penalties assessed in February 2010, January 2011, and February 2011 against Universal Properties facilities.

According to CMS Nursing Home Compare, Universal Properties/North Raleigh received the following deficiencies from complaints and incidents in surveys within the last 18 months, as shown in the following table.

**Universal Properties/North Raleigh
Deficiencies from Complaints and Incidents
Last 18 Months**

Nursing Home Failed to:	Complaint Survey Date	Date of Correction	Level of Harm	Residents Affected
Provide social services for related medical problems to help each resident achieve the highest possible quality of life.	03/10/2011	03/21/2011	2 = Minimal harm or potential for actual harm	Few
Give professional services that meet a professional standard of quality.	04/21/2010	05/14/2010	2 = Minimal harm or potential for actual harm	Few
Give each resident care and services to get or keep the highest quality of life possible.	04/21/2010	05/14/2010	2 = Minimal harm or potential for actual harm	Few

Universal Properties/Fuquay-Varina has not demonstrated that within the 18 months immediately preceding the date of its CON Application, there were no incidents at Universal Properties facilities for which certification deficiencies constituting substandard quality of care were imposed. Therefore, the Universal Properties/Fuquay-Varina CON Application is not conforming to CON Review Criterion (20).

VI. Conclusion

The Universal-Fuquay CON Application has not demonstrated conformity with the CON Review Criteria and should be denied.

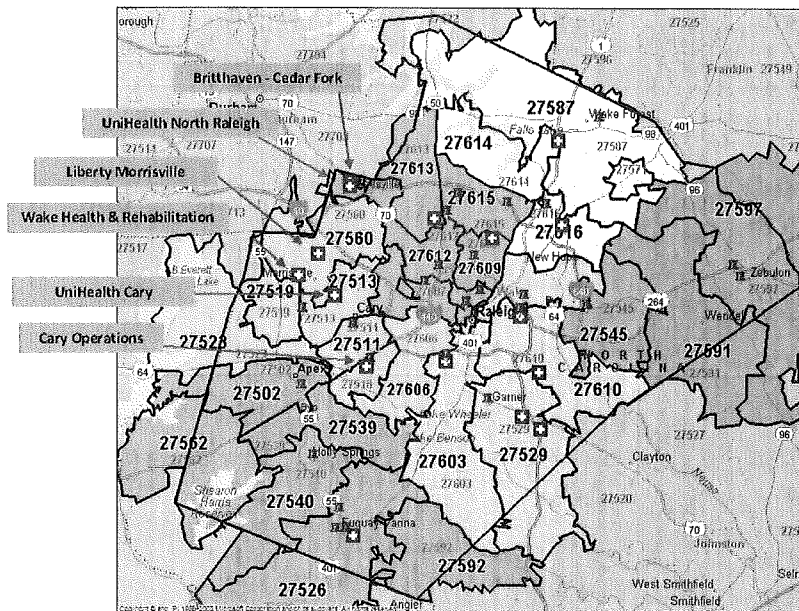
WAKE COUNTY NURSING FACILITY COMPARATIVE ANALYSIS OCTOBER 1, 2011

Pursuant to N.C.G.S. 131E-183(a)(1), no more than 240 new nursing facility beds may be approved in this review for Wake County. The sixteen applicants collectively propose 1,590 new nursing facility beds; therefore, all sixteen applications cannot be approved. The following comparative analysis of the proposals documents the reasons that **Wake County Health and Rehabilitation (WCHR)** should be approved, and the applications submitted by the other applicants should be denied.

Geographic Distribution of Beds

WCHR provided a detailed location analysis by geographic region in Wake County, which analysis supports the location of, at a minimum, 120 new nursing facility beds in the Morrisville/Cary region of Wake County. As reflected in the following map, four of the sixteen applicants proposed to locate a new facility in the WCHR-defined Morrisville/Cary region of Wake County (green). The two proposed facilities in Brier Creek (zip code 27617) identify their location in zip code 27560, which is in the Cary/Morrisville region of Wake County. Those six facilities are identified in the following map.

Current and Proposed NH Locations - Wake County



Blue Crosses - Proposed Locations
Brown Pushpins - Existing Locations

As illustrated in the previous map, six applicants targeted the Morrisville/Cary region of Wake County. The East Raleigh/Garner region, as defined by WCHR (orange in the previous map) has four proposed new facilities and one expanded facility.

The following table identifies existing and the number of proposed facilities by WCHR-defined geographic region.

Location Analysis

GEOGRAPHIC REGION	LEGEND FOR PREVIOUS MAP	NUMBER OF EXISTING FACILITIES**	NUMBER OF EXISTING AND CON APPROVED BEDS	BEDS PER 1000 POPULATION OVER 65	NUMBER OF PROPOSED NEW NURSING FACILITIES
Cary/Morrisville	Green	3	199	13.64	4 / 6*
North/Wake Forest	Yellow	2	242	28.51	1
Knightdale/Wendell/Zebulon	Purple	3	159	29.14	0
Central Raleigh	Blue	8	718	29.15	2 / 4*
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Apex/Holly Springs/Fuqua Varina	Pink	4	317	34.15	0
Total		25	2215	27.41	13

Source: WCHR CON Application, Exhibit 7, Tables 18, 19

*Two facilities self-identified the proposed location as Morrisville.

**Reflects the relocation of beds to Britthaven of Holly Springs

The previous table shows that the Cary/Morrisville region of Wake County has the lowest beds per thousand population for the 65+ population. **WCHR** is the most effective alternative because it is centrally located in the Cary/Morrisville region of Wake County. Of the remaining five applicants in the Cary/Morrisville region of Wake County, the new facility proposed by Cary Operations is one street (less than ¼ mile) from one of three existing nursing facilities in Cary, and does not improve access to services and therefore is not the most effective alternative.

Water and Sewer Availability

All applicants provided documentation of the availability of sewer and water.

Innovations in Nursing Facility Design

2011 SMFP Policy NH-8

While all applications propose "innovation" and "neighborhoods," some provide more common areas for residents and more personal living space.

Nursing and Common Area per Bed

The following table compares the combined nursing and patient area per bed for each of the facilities proposed in Wake County.

First Applicant	Total Beds	Total Sq Ft per Bed	Nursing sq ft per Bed	Combined Dining and Recreation Patient Areas sq ft per Bed	Combined Nursing and Patient Areas	Other sq ft per Bed
Hillcrest Convalescent Center	120	669.6	355.8	107.8	463.5	206.1
Liberty Healthcare	130	610.7	273.3	130.1	403.3	207.3
Liberty Healthcare	130	610.7	273.3	130.1	403.3	207.3
AH North Carolina Owner, LLC	90	830.2	311.5	78.5	389.9	440.3
Liberty Healthcare	130	648.1	242.7	143.9	386.6	261.5
Wake County H&R Re, LP	120	544.7	269.3	110.8	380.1	164.5
Universal Properties/Fuquay-Varina	109	496.0	281.3	88.9	370.2	125.8
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	100	608.8	275.8	82.8	358.6	250.1
UniHealth Post Acute Care – Cary	100	538.0	254.8	95.6	350.4	187.7
E.N.W, LLC	102	565.1	229.8	113.2	343.0	222.1
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	120	536.5	240.8	92.7	333.5	203.1
UniHealth Post Acute Care – North Raleigh	120	498.5	253.7	79.7	333.4	165.1
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	120	458.3	230.8	66.7	297.5	160.8
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	120	455.8	230.8	66.7	295.0	160.8
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	132	437.5	192.8	43.9	236.7	200.9
UniHealth Post Acute Care – Raleigh	20	0.0	0.0	0.0	0.0	0.0

The following table compares the combined nursing and patient area per bed for each of the six facilities proposed in the Morrisville/Cary region of Wake County.

First Applicant	Total Beds	Total Sq Ft per Bed	Nursing sq ft per Bed	Combined Dining and Recreation Patient Areas sq ft per Bed	Combined Nursing and Patient Areas	Other sq ft per Bed
Liberty Healthcare	130	610.7	273.3	130.1	403.3	207.3
Wake County H&R Re, LP	120	544.7	269.3	110.8	380.1	164.5
UniHealth Post Acute Care – Cary	100	538.0	254.8	95.6	350.4	187.7
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	120	536.5	240.8	92.7	333.5	203.1
UniHealth Post Acute Care – North Raleigh	120	498.5	253.7	79.7	333.4	165.1
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	120	458.3	230.8	66.7	297.5	160.8

Private Rooms

The **WCHR** project is unique because it will provide private bedrooms to all residents, regardless of payor source. This includes two new designs for private rooms with a shared bath (vs the standard shoulder-to-shoulder semi-private rooms) as part of its innovative approach to providing nursing care. In its companion suite and toe-to-toe suite, there are two private rooms with a shared bathroom. Each of these suites includes its own nurse’s call pull station, individually controlled air conditioning unit, window, bedroom furniture, closet, and television. As discussed in the **WCHR** application, private rooms provide substantial

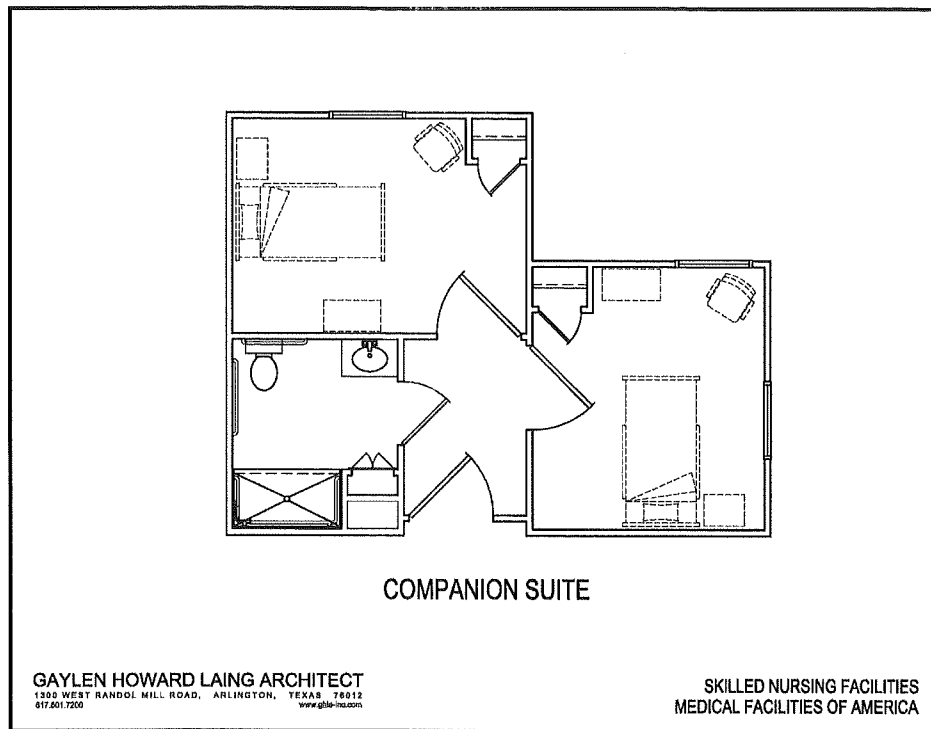
advantages to the residents of the facility and provide a better quality of life for short-term and long-term care residents. Benefits of Private Rooms include¹:

- Preferred room option by residents (individuals older than 50 preferred a private room over a semi-private room by a ratio of 20:1)
- Increases privacy for resident/guests
- Prevents resident from being an “unwilling observer” during activities of daily living, medical care, guest interactions, and end of life
- Decreases anxiety/aggression with dementia residents
- Enhances ability to meet the end of life needs for the resident and their family members
- Better setting for HIPPA compliance
- Operational efficiencies
 - Reduced marketing time for vacant units
 - Less time dealing with roommate and family conflicts (ranging from 2-3 hours per week to 25 hours per week)
 - Less time spent on managing unanticipated resident relocation within the facility and the domino effect of moving other residents to accommodate the initial relocation
 - There is some evidence that staff prefer when more residents are in private rooms
- Improves clinical outcomes
 - Residents in shared rooms are significantly higher at risk for nosocomial (health-care setting acquired) infections including clostridium difficile-associated diarrhea, antibiotic-associated diarrhea, methicillin-resistant staphylococcus aureus, influenza A, acute nonbacterial gastroenteritis and pneumonia
 - Residents face a 5% to 10% risk per year of an infection
 - These infections, mainly pneumonia and influenza A, account for almost ¼ of hospitalizations of nursing home residents
 - Pneumonia, the leading cause of death among nursing home residents (20-50% mortality rate) is the second most frequent nosocomial infection in nursing homes
 - In 1994, the average cost of hospitalization for an infection was \$7,500, and undoubtedly has increased significantly since then. But even at \$7,500, it would only take only 4.5 hospital stays to recoup the \$32,018 in added cost for the two private rooms vs. one semi-private room
 - In one study, the cost implication of nosocomial infections is estimated to be \$1 billion.
- Supports resident control
 - Lack of control over schedule (rise and retire time) and environment (TV, windows, light, etc.) cause frequent roommate conflict

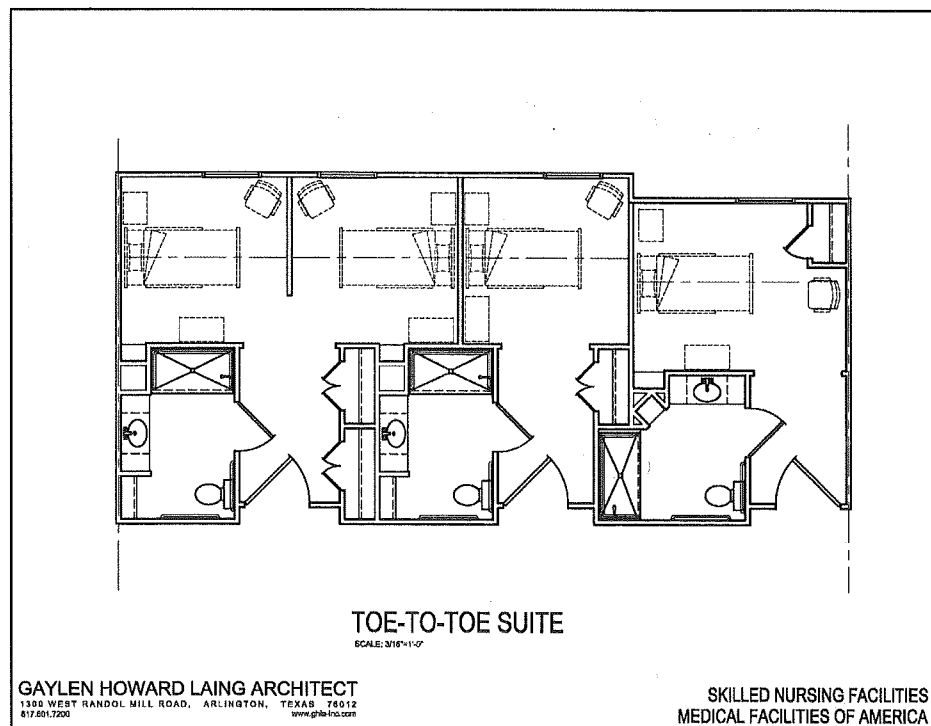
Further, new hospitals include 100% private rooms for many of these same reasons. As discussed above, there is considerable research regarding the clinical savings of private rooms versus semi-private rooms; no research provides evidence of an actual cost savings associated with semi-private rooms. The following illustrations show the unique designs in semi-private rooms at **WCHR**, which enhance privacy for all residents, making companion suites “virtually private” accommodations.

¹ 2009 LNHA Annual Convention September 2009, Linda Sadden and KaraLe Causey “Envisioning your future in a nursing home”, Margaret P. Calkins, Ph.D. “Private Bedrooms in Nursing Homes; benefits, disadvantages and costs”, Margaret P. Calkins, Ph.D.

- Companion suites allow for enhanced privacy.



- Toe-to-toe designed suites also allow for enhanced privacy, by placing a wall between the two beds.



The following table illustrates the number of private, private with a shared bath (companion and toe-to-toe suites), and semi-private rooms proposed by each applicant.

First Applicant	PROPOSED # OF PRIVATE BEDS	PROPOSED # OF COMPANION SUITE BEDS	PROPOSED # OF TOE TO TOE BEDS	PROPOSED # OF PRIVATE BEDS	PROPOSED # OF TRADITIONAL SEMIPRIVATE BEDS
Wake County H&R Re, LP	40	32	48	120	0
Hillcrest Convalescent Center	104	0	0	104	16
AH North Carolina Owner, LLC	78	0	0	78	12
UniHealth Post Acute Care – North Raleigh	72	0	0	72	48
Universal Properties/Fuquay-Varina	67	0	0	67	42
Liberty Healthcare	66	0	0	66	64
Liberty Healthcare	66	0	0	66	64
Liberty Healthcare	66	0	0	66	64
UniHealth Post Acute Care – Cary	60	0	0	60	40
E.N.W, LLC	46	0	0	46	56
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	44	0	0	44	56
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	40	0	0	40	80
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	40	0	0	40	80
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	40	0	0	40	80
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	36	0	0	36	96
UniHealth Post Acute Care – Raleigh	30	0	0	30	140

As shown in the previous table, **WCHR** proposes the largest number of private rooms in a 120-bed facility. As the CON Section is aware, the number of private rooms proposed in an application is not always the number of private rooms that are developed by the applicant. On July 11, 2011, the CON Section issued a No Review letter to Liberty Healthcare approving its request to reduce the number of private rooms from 46 to 24 and to eliminate a 20-bed special care unit from the approved 120-bed Churchill Commons Nursing and Rehabilitation Center (Project I.D. #F-7911-07). Reduction of the number of private rooms and elimination of the 20-bed special care unit were based on Liberty Healthcare's representation that it could not construct the Churchill Commons facility within the approved capital expenditure of \$8.5 million plus the maximum 15% overrun. Liberty Healthcare stated that:

[b]y reducing the number of private rooms from 46 to 24, the percentage of private rooms will change from 55% to 33%. **A ratio of 33% private rooms is more consistent with the 30% range for private rooms that Liberty is considering for newer facilities.**
[Emphasis added.]

A copy of the July 11, 2011 CON No Review letter is attached as Attachment 2.

Liberty Healthcare proposes to develop a 130-bed facility in the Cary/Morrisville region of Wake County with 66 private rooms and an Alzheimer's unit. That is a **ratio of 50.7% private rooms**, which ratio is **not "consistent with the 30% range for private rooms that Liberty Healthcare is considering for newer facilities."** Should Liberty Healthcare's Cary/Morrisville facility be approved, will Liberty Healthcare subsequently request approval to reduce private rooms from 66 to 39 and eliminate the proposed

Alzheimer's unit? That is certainly precedent for consideration by the CON Section when evaluating Liberty Healthcare's three applications, and the Cary/Morrisville region facility in particular.

As shown in the following table, **WCHR** is among the top three applicants based on square feet of patient rooms of the six facilities proposed for the Cary/Morrisville region of Wake County. Please note that Cary Operations' semi-private room square footage does not equal the square footage in its square footage table in Section XI of the application. In fact, the square footage provided in the five competing applications do not compare on the basis of units to beds. As a result, the following table contains calculations based on the patient room square footage and number of units.

First Applicant	SF OF PATIENT ROOMS	# OF UNITS	SF PER UNIT
Liberty Healthcare	28,194	98	288
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	22,400	80	280
Wake County H&R Re, LP	21,504	80	269
UniHealth Post Acute Care – North Raleigh	20,736	96	216
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	20,160	80	252
UniHealth Post Acute Care – Cary	17,280	80	216

Of the six facilities proposed for the Cary/Morrisville region of Wake County, **WCHR** also is the most effective alternative regarding the number of private rooms proposed, as shown in the following table.

First Applicant	PROPOSED # OF PRIVATE BEDS	PROPOSED # OF COMPANION SUITE SEMIPRIVATE BEDS	PROPOSED # OF TOE TO TOE SEMIPRIVATE BEDS	PROPOSED # OF "VIRTUAL" PRIVATE BEDS	PROPOSED # OF TRADITIONAL SEMIPRIVATE BEDS
Wake County H&R Re, LP	40	32	48	120	0
UniHealth Post Acute Care – North Raleigh	72	0	0	72	48
Liberty Healthcare	66	0	0	66	64
UniHealth Post Acute Care – Cary	60	0	0	60	40
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	40			40	80
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	40	0	0	40	80

Therefore, the proposal submitted by **WCHR** is the most effective alternative with regard to the number of private rooms to be developed.

Access by Underserved Groups

Medicaid

The following table illustrates the applicants' projected percentage of total nursing patient days to be provided to Medicaid recipients, as well as the FFY 2010 Wake County and statewide averages.

Applicant*	Medicaid
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	74.00%
E.N.W, LLC	72.00%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	76.00%
Wake County H&R Re, LP	67.90%
Liberty Healthcare	67.18%
Liberty Healthcare	67.18%
Liberty Healthcare	67.18%
Universal Properties/Fuquay-Varina	66.67%
UniHealth Post Acute Care – Cary	64.60%
UniHealth Post Acute Care – North Raleigh	64.40%
AH North Carolina Owner, LLC	55.40%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	55.12%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	50.65%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	50.65%
UniHealth Post Acute Care – Raleigh	46.30%
Hillcrest Convalescent Center	25.45%
Wake County Freestanding Nursing Facilities 2010 Medicaid (LRAs data from WCHR Exhibit 7, Table 31)	60.44%
Wake County Average Medicaid All Nursing Facilities 2010 Cost Report	67.5%

As shown in the above table, **WCHR** projects the fourth highest percentage of total patient days to Medicaid recipients. AH North Carolina, Universal Properties North Raleigh, Raleigh Operations, Cary Operations, Uni-Health Post Acute - Raleigh, and Hillcrest each project Medicaid patient data at a percent lower than currently provided in the market.

Of the six facilities proposed for the Cary/Morrisville region of Wake County, **WCHR** is the second most effective alternative with regard to the number of Medicaid days proposed as shown in the following table.

First Applicant	Medicaid
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	74%
Wake County H&R Re, LP	67.90%
Liberty Healthcare	67.18%
UniHealth Post Acute Care – Cary	64.60%
UniHealth Post Acute Care – North Raleigh	64.40%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	50.65%
Wake County Freestanding Nursing Facilities 2010 Medicaid (LRAs data from WCHR Exhibit 7, Table 31)	60.44%
Wake County Average Medicaid All Nursing Facilities 2010 Cost Report	67.5%

Medicare

With the aging population and the changes in the health care delivery system underway, more and more patients are being discharged from the hospital to nursing facilities for extended periods of rehabilitation and intensive care as discussed on paged 34-36 of the **WCHR CON** Application. As a result, the Medicare payor mix also is a relevant comparative factor for the review of new nursing facilities, as shown in the following table.

First Applicant	Medicare
Hillcrest Convalescent Center	49.09%
UniHealth Post Acute Care – Raleigh	32.30%
Wake County H&R Re, LP	26.80%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	25.67%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	25.67%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	22.83%
UniHealth Post Acute Care – North Raleigh	21.70%
UniHealth Post Acute Care – Cary	20.80%
AH North Carolina Owner, LLC	20.00%
Liberty Healthcare	18.92%
Liberty Healthcare	18.92%
Liberty Healthcare	18.92%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	18.00%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	18.00%
Universal Properties/Fuquay-Varina	17.14%
E.N.W, LLC	17.00%
Wake County Freestanding Nursing Facilities 2010 Medicare (LRAs data from WCHR Attachment 1, Table 31)	19.3%
Wake County Average Medicare All Nursing Facilities 2010 Cost Report	17.4%

Of all of the facilities proposed in Wake County, **WCHR** is the third most effective alternative overall with regard to the number of Medicare days. Only Hillcrest and UniHealth Acute Care - Raleigh (an existing facility) propose to provide more Medicare days of care. Both of those facilities provide less Medicaid days of care than the Wake County average provider as shown in the previous table, and are thus two of the least effective alternative for Medicaid.

Of the six facilities proposed for the Cary/Morrisville region of Wake County, **WCHR** is the most effective alternative with regard to the number of Medicare days proposed, as shown in the following table.

First Applicant	Medicare
Wake County H&R Re, LP	26.80%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	25.67%
UniHealth Post Acute Care – North Raleigh	21.70%
UniHealth Post Acute Care – Cary	20.80%
Liberty Healthcare	18.92%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	18.00%
Wake County Freestanding Nursing Facilities 2010 Medicare (LRAs data from WCHR Attachment 1, Table 31)	19.3%
Wake County Average Medicare All Nursing Facilities 2010 Cost Report	17.4%

Medicare/Medicaid Combined

The combined Medicare and Medicaid payor mix illustrates the proposed facilities commitment to meeting the needs of the elderly and underserved population in Wake County, as shown in the following table.

First Applicant	Medicaid/Medicare
Wake County H&R Re, LP	94.70%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	94.00%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	92.67%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	92.00%
E.N.W, LLC	89.00%
UniHealth Post Acute Care – North Raleigh	86.10%
Liberty Healthcare	86.10%
Liberty Healthcare	86.10%
Liberty Healthcare	86.10%
UniHealth Post Acute Care – Cary	85.40%
Universal Properties/Fuquay-Varina	83.81%
UniHealth Post Acute Care – Raleigh	78.60%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	77.95%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	76.32%
AH North Carolina Owner, LLC	75.40%
Hillcrest Convalescent Center	74.55%

Of all of the facilities proposed in Wake County, **WCHR** has the highest proposed Medicare/Medicaid payer mix. As discussed in the WCHR Application, the payor mix for **WCHR** was determined after review of historical payer mix for existing Wake County facilities and facilities managed by MFNC in North Carolina. Therefore, **WCHR** is the most effective alternative overall with regard to the number of combined Medicare/Medicaid days proposed.

Of the six facilities proposed for the Cary/Morrisville region of Wake County, **WCHR** also is the most effective alternative with regard to the number of Medicare/Medicaid days proposed, as shown in the following table

First Applicant	Medicaid/Medicare
Wake County H&R Re, LP	94.70%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	92.00%
Liberty Healthcare	86.10%
UniHealth Post Acute Care – Cary	85.40%
UniHealth Post Acute Care – Raleigh	78.60%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	76.32%

Private Pay Charges

The following table illustrates the applicants projected private pay charges in the second full year of operation. Applicants are instructed to *“assume all current charges, rates, costs and salaries will not be inflated to future operating years.”* (*Emphasis* in original.) Further, in Section X.4, applicants are instructed to assume that *“all current charges and rates will not be inflated to future operating years.”* (*Emphasis* in original.)

First Applicant	Private Pay Charges for Private Room	Private Pay Charges for Semi-private Room
Hillcrest Convalescent Center	\$311.00	no data
UniHealth Post Acute Care – Raleigh	\$253.61	\$216.07
Wake County H&R Re, LP	\$250.00	\$225.00
AH North Carolina Owner, LLC	\$244.33	\$221.13
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$240.00	\$205.00
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$240.00	\$205.00
FFY 2010 Wake County Average	\$236.86	\$207.84
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$198.00	\$188.00
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$198.00	\$188.00
E.N.W, LLC	\$196.00	\$186.00
Universal Properties/Fuquay-Varina	\$190.00	\$180.00
Liberty Healthcare	\$190.00	\$170.00
Liberty Healthcare	\$190.00	\$170.00
Liberty Healthcare	\$190.00	\$170.00
UniHealth Post Acute Care – Cary	\$188.00	\$179.00
UniHealth Post Acute Care – North Raleigh	\$188.00	\$179.00
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$180.00	\$165.00

As shown in the previous table, the FFY 2010 Wake County average private pay rate is higher than the proposed private pay rates of ten of the applicants in this review. In addition, inflating the FFY 2010 average by 6% for one year to FFY 2011 (the current year) results in an estimated private pay rate for Wake County of over \$250.00 per day. Only two applicants, Hillcrest and Uni-Health Raleigh, have higher private pay rates. Because the majority of applicants understated private pay charges, it is not reasonable to use that variable in the comparative analysis.

First Applicant	Private Pay Charges for Private Room	Private Pay Charges for Semi-private Room
Wake County H&R Re, LP	\$250.00	\$225.00
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$240.00	\$205.00
FFY 2010 Wake County Average	\$236.86	\$207.84
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$198.00	\$188.00
Liberty Healthcare	\$190.00	\$170.00
UniHealth Post Acute Care – Cary	\$188.00	\$179.00
UniHealth Post Acute Care – North Raleigh	\$188.00	\$179.00

The following table compares the applicants' projected private pay charges in the second full year of operation to their Wake County related entity(ies) FFY 2010 private pay rates.

First Applicant	Private Pay Charges for Private Room	Private Pay Charges for Semi-private Room	Wake County Related Entity	Private Pay Charges for Private Room	Private Pay Charges for Semi-private Room
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$240.00	\$205.00	Blue Ridge	\$455.00	\$405.00
Wake County H&R Re, LP			none	\$250.00	\$225.00
FFY 2010 Wake County Average				\$236.86	\$207.84
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$198.00	\$188.00	Britthaven City of Oaks	\$192.00	\$182.00
Liberty Healthcare	\$190.00	\$170.00	Capital Nursing	\$170.00	\$150.00
UniHealth Post Acute Care – Cary*	\$188.00	\$179.00	The Oaks at Mayview*	\$239.00	\$198.25
UniHealth Post Acute Care – North Raleigh*	\$188.00	\$179.00	UniHealth Post Acute Raleigh*	\$237.00	\$202.00

*The Oaks at Mayview and UniHealth Post Acute Raleigh are related entities of UniHealth Post Acute Care – Cary and UniHealth Post Acute Care – North Raleigh.

As shown in the previous table, the Wake County related entity(ies) FFY 2010 private pay rate is higher for all but one of the applicants. For example, the FFY 2010 private pay rate for Blue Ridge, the Wake County related entity of Cary Operations is more than twice the projected private pay charges. The previous table is a further illustration that a majority of applicants understated private pay charges. It is therefore not reasonable to use that variable in the comparative analysis.

Operating Costs

The following table illustrates the applicants' projected operating costs per patient day in the second year of operation. Applicants are instructed to *"assume all current charges, rates, costs and salaries will not be inflated to future operating years."* (Emphasis in original.) The data shown in the following table is taken from each applicant's table in Form C.

First Applicant	Direct (less Ancillary) Operating Cost per Day PY 2	INDIRECT COST PER PATIENT DAY	TOTAL DIRECT COST (LESS ANCILLARY) PLUS INDIRECT COST PER PATIENT DAY
Universal Properties/Fuquay-Varina	\$121.05	\$ 52.02	\$173.07
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$136.21	\$ 55.17	\$191.38
E.N.W, LLC	\$139.09	\$ 58.65	\$197.74
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$140.89	\$ 61.88	\$202.77
Liberty Healthcare	\$143.54	\$ 59.27	\$202.81
Liberty Healthcare	\$143.54	\$ 59.57	\$203.11
Liberty Healthcare	\$143.54	\$ 59.65	\$203.19
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$142.86	\$ 63.02	\$205.88
Wake County H&R Re, LP	\$128.01	\$ 86.92	\$214.93
Hillcrest Convalescent Center	\$134.24	\$ 97.38	\$231.62
UniHealth Post Acute Care – Cary	\$157.87	\$ 76.77	\$234.64
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$154.58	\$ 82.04	\$236.62
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$154.58	\$ 82.25	\$236.83
UniHealth Post Acute Care – North Raleigh	\$162.97	\$ 74.87	\$237.84
UniHealth Post Acute Care – Raleigh	\$192.26	\$ 81.34	\$273.60
AH North Carolina Owner, LLC	\$192.60	\$104.87	\$297.47

Total operating costs for **WCHR** are in the middle of the group overall as shown in the previous table, and are reasonable as determined in the review. Direct operating costs (less ancillary) for **WCHR** are the second lowest of all applicants, as shown in the following table.

First Applicant	Direct (less Ancillary) Operating Cost per Day PY 2	INDIRECT COST PER PATIENT DAY	TOTAL DIRECT COST (LESS ANCILLARY) PLUS INDIRECT COST PER PATIENT DAY
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$140.89	\$ 61.88	\$202.77
Liberty Healthcare	\$143.54	\$ 59.27	\$202.81
Wake County H&R Re, LP	\$128.01	\$ 86.92	\$214.93
UniHealth Post Acute Care – Cary	\$157.87	\$ 76.77	\$234.64
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$154.58	\$ 82.04	\$236.62
UniHealth Post Acute Care – North Raleigh	\$162.97	\$ 74.87	\$237.84

Total operating costs for **WCHR** are in the middle of the group overall for the six facilities proposed in the Cary/Morrisville region of Wake County, as shown in the previous table, and are reasonable as determined in the review. Direct operating costs (less ancillary) for **WCHR** are the lowest of the six applicants.

The CON Section also should compare each applicant’s projected direct operating costs with actual experience in Wake County and in North Carolina on average, to determine the reasonableness of the projections. The following table shows that direct costs for ten of the sixteen applicants are 25% greater than the FFY 2010 average direct cost for Wake County nursing facilities. The CON Section should compare projected staffing ratios and staff salaries to other facilities in Wake County and to related entities of the applicants in North Carolina.

First Applicant	Direct (less Ancillary) Operating Cost per Day Compared to Wake County Average	Percent of FFY 2010 Wake County Average
AH North Carolina Owner, LLC	\$192.60	170.0%
UniHealth Post Acute Care – Raleigh	\$192.26	169.7%
UniHealth Post Acute Care – North Raleigh	\$162.97	143.8%
UniHealth Post Acute Care – Cary	\$157.87	139.3%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$154.58	136.4%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$154.58	136.4%
Liberty Healthcare	\$143.54	126.7%
Liberty Healthcare	\$143.54	126.7%
Liberty Healthcare	\$143.54	126.7%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$142.86	126.1%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$140.89	124.4%
E.N.W, LLC	\$139.09	122.8%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$136.21	120.2%
Hillcrest Convalescent Center	\$134.24	118.5%
Wake County H&R Re, LP	\$128.01	113.0%
Universal Properties/Fuquay-Varina	\$121.05	106.8%
Wake County - Average Freestanding NHs – FFY 2010 Cost Reports	\$113.30	100.0%

WCHR based its staffing patterns and salaries on historical utilization of related entities in North Carolina.

The following table shows that direct costs for thirteen of the sixteen applicants are 25% greater than the FFY 2010 average direct cost for Wake County nursing facilities.

First Applicant	Direct (less Ancillary) Operating Cost per Day Compared to Statewide Average	Percent of FFY 2010 Statewide Average
AH North Carolina Owner, LLC	\$192.60	178.7%
UniHealth Post Acute Care – Raleigh	\$192.26	178.4%
UniHealth Post Acute Care – North Raleigh	\$162.97	151.2%
UniHealth Post Acute Care – Cary	\$157.87	146.5%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$154.58	143.4%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$154.58	143.4%
Liberty Healthcare	\$143.54	133.2%
Liberty Healthcare	\$143.54	133.2%
Liberty Healthcare	\$143.54	133.2%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$142.86	132.5%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$140.89	130.7%
E.N.W, LLC	\$139.09	129.0%
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$136.21	126.4%
Hillcrest Convalescent Center	\$134.24	124.5%
Wake County H&R Re, LP	\$128.01	118.8%
Universal Properties/Fuquay-Varina	\$121.05	112.3%
All NHs - Average Statewide – FFY 2010 Cost Reports	\$107.79	100.0%

The following table provides FFY 2010 direct costs for existing facilities in Wake County, and compares those with related entities of applicants in this review.

Existing Nursing Facility	FFY 2010 Unaudited Cost Report	Related Entity - Wake County Applicant	Proposed Direct (less Ancillary) Operating Cost per Day PY 2 for Related Entities	Percent of Existing Related Entity – FFY 2010
Glenaire	\$182.06			
Mayview Convalescent Center/The Oakes at Mayview	\$180.74	UniHealth Facilities	\$192.26; \$157.87 ; 162.97	106.4% ; 87.4%; 90.2%
Rex Rehab and Nursing Care Center of Apex	\$160.72			
Sunnybrook Healthcare/Rehab Specialists	\$124.99			
Raleigh Rehabilitation & Healthcare Center	\$121.15			
City of Oaks Health & Rehab Center	\$119.82			
Blue Ridge Health Care Center	\$113.13	Cary Operation/North Operation	\$154.58	136.6%
The Laurels of Forest Glenn	\$113.11			
Wellington Healthcare and Rehabilitation	\$112.72			
Cary Health & Rehabilitation Center	\$106.18			
Capital Nursing and Rehab Center	\$104.37	Liberty Facilities	\$143.54	137.5%
Guardian Care of Zebulon	\$100.12			
Hillside Nursing Center of Wake Forest	\$100.07	ENW	\$139.09	139.0%
Litchford Falls Healthcare & Rehab Center	\$97.97			
Universal Health Care - North Raleigh	\$97.27	Universal Facilities	\$136.21 ; \$121.05	140% ; 124.5%
UniHealth Post-Acute Care- Raleigh	No Report	UniHealth Facilities	\$192.26; \$157.87 ; 162.97	

The previous table illustrates that the range of direct costs, as reflected in the FFY 2010 cost reports, were \$182.06 per day at Glenaire, to \$97.27 per day at Universal Health Care – North Raleigh. The previous table also matches related entities in Wake County with applicants. With the exception of UniHealth, proposed direct costs exceed the historical of all related entities of applicants by 25% to 40% as shown in the previous table.

Staffing

Salaries

Those applicants highlighted in red in the following tables were identified as applicants with direct costs greater than 25% of FFY 2010 Wake County average direct costs. The following tables illustrate the applicants' projected direct care nursing salaries during Project Year Two, as reported by the applicants in Section VII.3.

First Applicant	RN
UniHealth Post Acute Care – Raleigh	\$66,253
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$64,200
Universal Properties/Fuquay-Varina	\$62,691
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$61,194
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$61,194
UniHealth Post Acute Care – North Raleigh	\$60,454
UniHealth Post Acute Care – Cary	\$60,342
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$58,240
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$58,240
Liberty Healthcare	\$57,000
Liberty Healthcare	\$57,000
Liberty Healthcare	\$57,000
E.N.W, LLC	\$57,000
Wake County H&R Re, LP	\$56,160
AH North Carolina Owner, LLC	\$54,237
Hillcrest Convalescent Center	\$50,462

First Applicant	LPN
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$54,309
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$54,309
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$53,498
UniHealth Post Acute Care – Raleigh	\$50,443
Wake County H&R Re, LP	\$49,920
Universal Properties/Fuquay-Varina	\$48,256
UniHealth Post Acute Care – North Raleigh	\$48,138
UniHealth Post Acute Care – Cary	\$48,138
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$47,320
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$47,320
Liberty Healthcare	\$47,000
Liberty Healthcare	\$47,000
Liberty Healthcare	\$47,000
E.N.W, LLC	\$47,000
AH North Carolina Owner, LLC	\$45,488
Hillcrest Convalescent Center	\$39,808

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First Applicant	Aide
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$30,654
Liberty Healthcare	\$27,000
Liberty Healthcare	\$27,000
Liberty Healthcare	\$27,000
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$26,874
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$26,874
Wake County H&R Re, LP	\$25,350
Universal Properties/Fuquay-Varina	\$25,175
E.N.W, LLC	\$25,000
UniHealth Post Acute Care – Raleigh	\$24,716
AH North Carolina Owner, LLC	\$24,619
UniHealth Post Acute Care – North Raleigh	\$23,054
UniHealth Post Acute Care – Cary	\$23,054
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$22,425
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$22,245
Hillcrest Convalescent Center	\$22,196

First Applicant	Director Nursing
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$99,009
UniHealth Post Acute Care – Raleigh	\$94,483
UniHealth Post Acute Care – Cary	\$90,311
UniHealth Post Acute Care – North Raleigh	\$90,311
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	\$89,933
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	\$89,933
AH North Carolina Owner, LLC	\$89,757
Universal Properties/Fuquay-Varina	\$89,627
Liberty Healthcare	\$85,234
Liberty Healthcare	\$85,234
Liberty Healthcare	\$85,234
E.N.W, LLC	\$85,000
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$83,000
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$83,000
Wake County H&R Re, LP	\$81,120
Hillcrest Convalescent Center	\$74,991

First Applicant	Asst Director Nursing
UniHealth Post Acute Care – Raleigh	\$76,960
UniHealth Post Acute Care – Cary	\$70,000
UniHealth Post Acute Care – North Raleigh	\$70,000
Liberty Healthcare	\$70,000
Liberty Healthcare	\$70,000
Liberty Healthcare	\$70,000
E.N.W, LLC	\$70,000
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	\$69,618
Universal Properties/Fuquay-Varina	\$67,018
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	\$63,000
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	\$63,000
Hillcrest Convalescent Center	\$48,565
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	NA
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	NA
AH North Carolina Owner, LLC	NA
Wake County H&R Re, LP	NA

Nursing Hours per Patient Day

Those applicants highlighted in red in the following table were identified as applicants with direct costs greater than 25% of FFY 2010 Wake County average direct costs.

The following table illustrates the applicants' projected nursing hours per patient day (NHPPD) to be provided by direct care routine services staff (RNs, LPNs & Aides) in Project Year Two as reported in the table in Section VII.4 of the application and budgeted in the proformas.

First Applicant	Total Nursing Hrs/Pt
Liberty Healthcare	4.67
Liberty Healthcare	4.67
Liberty Healthcare	4.67
UniHealth Post Acute Care – North Raleigh	4.30
UniHealth Post Acute Care – Raleigh	4.25
E.N.W, LLC	4.22
UniHealth Post Acute Care – Cary	4.07
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	4.04
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	4.00
Hillcrest Convalescent Center	3.74
AH North Carolina Owner, LLC	3.65
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	3.64
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	3.64
Wake County H&R Re, LP	3.59
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	3.10
Universal Properties/Fuquay-Varina	2.92

The following table illustrates the applicants' projected NHPPD to be provided by licensed direct care routine services staff (RNs & LPNs) in Project Year Two as reported in the table in Section VII.4 of the application and budgeted in the proformas.

First Applicant	RN/LPN Nursing Hrs/Pt
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	1.60
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	1.54
UniHealth Post Acute Care – North Raleigh	1.53
UniHealth Post Acute Care – Raleigh	1.50
E.N.W, LLC	1.43
Liberty Healthcare	1.43
Liberty Healthcare	1.43
Liberty Healthcare	1.43
AH North Carolina Owner, LLC	1.42
UniHealth Post Acute Care – Cary	1.41
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	1.30
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	1.30
Wake County H&R Re, LP	1.17
Hillcrest Convalescent Center	1.09
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	0.95
Universal Properties/Fuquay-Varina	0.89

Construction Cost

First Applicant	New Beds	Total Capital Cost	Total Cost per Bed	Percent Above or Below Average	Construction Cost	Construction Cost per Bed	Percent Above or Below Average
AH North Carolina Owner, LLC	90	\$20,961,007	\$232,900	110.1%	\$16,752,498	\$186,139	157.1%
Hillcrest Convalescent Center	120	\$17,916,708	\$149,306	34.7%	\$11,508,707	\$95,906	32.5%
Liberty Healthcare	130	\$15,667,836	\$120,522	8.7%	\$9,046,046	\$69,585	-3.9%
Liberty Healthcare	120	\$14,719,180	\$122,660	10.7%	\$9,554,230	\$79,619	10.0%
Liberty Healthcare	130	\$13,850,714	\$106,544	-3.9%	\$9,046,046	\$69,585	-3.9%
Wake County H&R Re, LP	120	\$13,650,000	\$113,750	2.6%	\$7,008,430	\$58,404	-19.3%
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	120	\$11,360,686	\$94,672	-14.6%	\$6,912,436	\$57,604	-20.4%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	120	\$11,335,022	\$94,459	-14.8%	\$7,592,940	\$63,275	-12.6%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	120	\$10,933,149	\$91,110	-17.8%	\$7,303,440	\$60,862	-15.9%
UniHealth Post Acute Care – North Raleigh	120	\$10,604,159	\$88,368	-20.3%	\$6,597,828	\$54,982	-24.1%
UniHealth Post Acute Care – Cary	100	\$9,713,726	\$97,137	-12.4%	\$5,937,316	\$59,373	-18.0%
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	100	\$9,035,239	\$90,352	-18.5%	\$6,535,584	\$65,356	-9.7%
E.N.W, LLC	100	\$8,534,150	\$85,342	-23.0%	\$5,764,400	\$57,644	-20.4%
Universal Properties/Fuquay-Varina	60	\$3,541,100	\$59,018	-46.8%	\$2,657,000	\$44,283	-38.8%
Average New Facility Beds	1550	\$171,822,676	\$110,853		\$112,216,901	\$72,398	
UniHealth Post Acute Care – Raleigh	20	\$2,173,393	\$108,670		\$1,459,622	\$72,981	
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	20	\$1,490,200	\$74,510		\$1,057,200	\$52,860	

Competition and Duplication of Services

First Applicant	Wake County Related Entity	Wake County Related Entity FFY 2010 Occupancy
Hillcrest Convalescent Center	N/A	N/A
Wake County H&R Re, LP	N/A	N/A
AH North Carolina Owner, LLC	N/A	N/A
Britthaven d/b/a Cedar Fork Health and Rehabilitation Center	Britthaven of Holly Springs	under development
Universal Properties/North Raleigh d/b/a University Health Care/North Raleigh	Universal Properties/FV	no occupancy in FFY 2010
Britthaven d/b/a St. Mary's Health and Rehabilitation Center	Britthaven of Holly Springs	under development
UniHealth Post Acute Care – Raleigh	<ul style="list-style-type: none"> UniHealth Post Acute Care - Raleigh Oaks at Mayview 	<ul style="list-style-type: none"> UniHealth Post Acute Care - Raleigh - 93.4% Oaks at Mayview - 87.9%
UniHealth Post Acute Care – Cary	<ul style="list-style-type: none"> UniHealth Post Acute Care - Raleigh Oaks at Mayview 	<ul style="list-style-type: none"> UniHealth Post Acute Care - Raleigh - 93.4% Oaks at Mayview - 87.9%
Universal Properties/Fuquay-Varina	Universal Properties/North Raleigh	93.1%
UniHealth Post Acute Care – North Raleigh	<ul style="list-style-type: none"> UniHealth Post Acute Care - Raleigh Oaks at Mayview 	<ul style="list-style-type: none"> UniHealth Post Acute Care - Raleigh - 93.4% Oaks at Mayview - 87.9%
Liberty Healthcare	Capital Nursing	84.3%
Liberty Healthcare	Capital Nursing	84.3%
Liberty Healthcare	Capital Nursing	84.3%
E.N.W, LLC	<ul style="list-style-type: none"> Hillside Wake Forest Windsor Point CCRC Fuquay-Varina 	<ul style="list-style-type: none"> Hillside - 93.4% Windsor Point - 72.7%
Cary Operations, LLC d/b/a The Rehabilitation and Nursing Center at Cary	Blue Ridge	86.2%
Raleigh Operations, LLC d/b/a The Rehabilitation and Nursing Center at Raleigh	Blue Ridge	86.2%

Community Contacts and Letters of Support for Wake County Health and Rehabilitation

During the preparation of the **Wake County Health and Rehabilitation CON** Application, representatives visited the area on several occasions and met with community representatives and local agencies and providers. Numerous other agencies and providers were contacted via telephone, email, and letter, to include:

- Earl C. Parker, President, Elms Group Senior Living,
- Bob Ricker, Associate VP of Suburban Services, Rex Healthcare,
- William Pittman, Director Strategic Planning and Business Development, Rex Healthcare
- Tammie Stanton, Vice President Post Acute Services, UNC Health Care
- Bill Sears, President, Searstone Retirement Community
- Ms. Jean, RN, Capital Internal Medicine
- Jason Proctor, President, Franklin Regional Medical Center
- M. Bold, RN, Raleigh Geriatrics
- Talie Madans, Community Manager, Carolina Preserve
- Sanford Jordan, Vice President, Cary Economic Development
- Howard S. Johnson, President, Cary Chamber of Commerce
- Jennifer Robinson, Cary Town Council Member

- Alice W. Watkins, Executive Director, Alzheimers North Carolina
- Gail Holden, Director of Senior Services, Wake County Human Services
- Greg Griggs, Executive Vice President, NC Academy of Family Physicians
- Jody Morris, VP and COO, Novant Health Triangle Market
- Martin Janis, MD, Raleigh Geriatrics
- Dr. Helen Ayres, Program Director, Durham Technical Community College
- Dianne Hinson, Dean, Wake Technical Community College.

Efforts to involve the local community included personal visits, telephone calls, email correspondence, and written correspondence with representatives of the community. Local community contacts included:

- Physicians
- Adult care homes
- Nursing facilities
- Hospitals
- Wake County Human Services
- Real estate brokers and land owners
- Cary Chamber of Commerce
- Professional training facilities.

Contact was made with Wake County and Town of Cary representatives on numerous occasions from March 2011 through July 2011. Representatives of **WCHR** met with a variety of persons regarding the proposed project.