

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: February 28, 2012  
PROJECT ANALYST: F. Gene DePorter  
CON CHIEF: Craig R. Smith

PROJECT DESCRIPTION: Pasquotank R-8766-11 Carolina Adventist Retirement Systems, Inc. d/b/a W. R. Winslow Memorial Home/Add 24 of 40 nursing facility bed need, as identified in the 2011 State Medical Facilities Plan by converting 24 existing independent living units for a total of 170 nursing home beds upon project completion.

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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 2011 State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

### C

The applicant, Carolina Adventist Retirement Systems, Inc (a non-profit organization) d/b/a W. R. Winslow Memorial Home (herein after Winslow Memorial Home or WMH) is located at 1075 U.S. Highway 17 South, Elizabeth City. The facility currently operates 146 nursing home beds and 24 independent living units (Carolina House). The applicant is not a CCRC. This application (Project ID # R-8766-11) is a request for 24 of 40 additional nursing home beds needed in Pasquotank County, as documented in the 2011 State Medical Facilities Plan (2011 SMFP). The applicant is proposing to develop 24 private nursing home beds with private bathroom in the Carolina House building, currently on the campus of the facility adjacent to WMH. Upon project completion Winslow Memorial Home will have a total of 170 nursing facility (NF) beds. The first full year of operations is projected to begin October 1, 2013. No special care units exist nor will they be created through this application. There are two SMFP policies applicable to this review: NH-8 and GEN-3. Policy GEN-4 does not apply because the project capital cost is below two million dollars.

“Policy NH-8: Innovations in Facility Design” in the 2011 SMFP is applicable to the review of this proposal. The policy states:

*“Certificate of need applicants proposing new nursing facilities, replacement nursing facilities, and projects associated with the expansion and/or renovation of existing*

*nursing facilities shall pursue innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents. These plans could include innovative design elements that encourage less institutional, more home-like settings, privacy, autonomy, and resident choice, among others.*

*The renovated building in which the 24 beds will be operated will provide private bed rooms with bathrooms, providing more dignified less institutional living arrangements. The building that will be renovated will provide somewhat of a “neighborhood” feel with only 24 residents being housed in the building. Dining for these 24 residents will be available in a dining room that is separate from the dining area for the rest of the population. Approval of the project will allow the facility to make strides in offering an environment for patients that has much less of an institutional feel than that of a typical nursing facility.*

*The innovative care practices that have been implemented in the existing facility and will be followed for the 24 additional nursing facility beds include the following:*

*-All dining services have been outsourced to Sodexo. This has been done to improve the quality of the dining experience. Transitioning this service will include a “fine dining” experience on a daily basis with plated meals rather than tray delivery. A menu with choices available to residents will be provided rather than no choice. The resident will be able to choose the time they dine.*

*-The facility is in the process of implementing an electronic medical records system.*

*-Point of care electronic charting has been implemented.*

*-Electronic medication administration documentation is being utilized.*

*-The facility utilizes an application service provider to host its accounting and clerical software, which houses all data in a secure off site data chamber. This allows quick recovery and minimal down time in the event of a natural disaster.”*

Therefore, the application is conforming with Policy NH-8.

Policy GEN-3: Basic Principles is applicable to the review of the project. In Section V. 6, pgs 48-49, the applicant states the following:

*“As shown in Exhibit 15, the applicant’s projected unadjusted cost is generally above the median of the industry in most patient care categories, but not unreasonable. This is consistent with the non-profit organization’s philosophy of delivering quality care at a reasonable cost. For the largest single cost center, Case Mix Nursing, the applicant projects their cost to be \$72.60 per day, or around the 75<sup>th</sup> percentile of the industry, while staffing the facility at 3.66 nursing hours per day, well above the industry median.*

*Dietary cost is close to the 80<sup>th</sup> percentile for the industry consistent with the facility’s emphasis on the provision of high quality meals. It should be noted that the industry cost to*

*which the facility is compared in this analysis is based on 2009 cost report data, whereas the cost for the applicant is based on 2010 and 2011 data, including projected 2012 salary increases. Only Laundry and Linen is at the 90<sup>th</sup> percentile, a cost center that makes up a small percentage of the facility's total cost. Administrative and General cost is at the 19<sup>th</sup> percentile of the industry, consistent with the applicants emphasis on patient care. All other material costs are between the 50<sup>th</sup> and 90<sup>th</sup> percentile for the industry, as demonstrated in Exhibit 15. Private pay rates will continue at the current facility's current private pay rates.*

*The existing facility is located in the town with the largest population base in Pasquotank County, Elizabeth City and has a waiting list of 99 people. It is evident the location of the facility provides ideal access to the medically underserved of the county. See Exhibit 16 for documentation of the waiting list."*

In Section II 2, pgs 13-22, the applicant responded further to GEN-3 as follows:

*"W.R. Winslow Memorial Home will continue to offer a broad range of quality therapeutic services. All services required for both licensure and certification will be met or exceeded. The following services (therapeutic, medical treatment and support) will be offered:*

**Table 1**  
**W. R. Winslow Memorial Home**  
**Services**

Rehabilitative/Restorative Care	Pharmacy
Medical Services	Housekeeping
Therapy Services	Maintenance
Respiratory Services	Administration
Dietary	Volunteer Services
Activity Therapy Services	Transportation
Family Support Group Services	Respite Care
Social Services	Hospice
Medical Records	Dialysis Residents

Therefore, the application is conforming with Policy GEN-3.

Policy GEN-4 of the 2011 SMFP requires a written statement describing the applicant's plan to assure improved energy efficiency and water conservation if the project is over \$2 million. However, the estimated capital costs for this project is \$1 million and therefore, the energy efficiency and water conservation guidelines are not applicable.

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

The applicant, Carolina Adventist Retirement Systems, Inc. d/b/a W.R. Winslow Memorial Home-Elizabeth City, proposes to renovate 17,930 square feet (according to line drawings in Exhibit 28) of existing space in the current single story, free-standing 24 unit independent living facility and link the existing structure to the existing nursing home through 2,350 SF of new construction for a connecting breeze way. All 24 beds will be private room and private bath. All renovation and new construction is occurring on the same campus.

Population to be Served

In Section III 6, (a),(b),(c), and (f), pgs.33-34, the applicant states the following:

Part (a) *“...there are currently only 11 residents housed in the independent living unit. Most of the residents are over 90 years of age. As such, several of the residents are anticipated to transition to the nursing home level of care at W.R. Winslow Memorial Home prior to completion of this project. For those residents that do not transition into nursing home level of care beds, there are 266 Adult Care Home beds in Pasquotank County (2011 State Medical Facilities Plan).”*

Part (b) *“No health care beds will be reduced or converted, the few remaining residents in the independent living beds will be assured proper placement, and the nursing facility population presently served will realize virtually no impact, as a result of this project, particularly since the nursing facility beds are being added in a building that is segregated from he current nursing facility building.”*

Part (C) *“No health care beds will be reduced or converted. Since the occupancy in the independent living unit is extremely low, and most residents are anticipated to transition to nursing facility level of care, there will be virtually no impact.”*

Part (f) *“Although no health care beds are being reduced or converted, there are ample assisted living beds in the county into which the independent living residents can be placed.”*

In Section III. 8, pages 35-36, the applicant provides tables for current and projected patient origin which the analyst has consolidated into the following table.

**Table 2**  
**W.R. Winslow Memorial Home**  
**Current Patient Origin**

	<b>Current Patient Origin</b>	<b>Projected Patient Origin</b>
<b>County</b>	<b>% of Total NF Admissions</b>	<b>% of Total NF Admissions</b>

Pasquotank	65.67%	65.67%
Perquimans	14.18%	14.18%
Camden	5.22%	5.22%
Gates	4.47%	4.47%
Currituck	2.99%	2.99%
Chowan	2.24%	2.24%
Dare	1.49%	1.49%
Tyrell	1.49%	1.49%
Other	1.50%	1.50%
Out of State	0.75%	0.75%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The applicant indicates that approximately 90.30% of the nursing facility population will live within 45 minutes of the existing facility.

The 2011 SMFP, Chapter 10, provides the Nursing Home bed need methodology. The results of the methodology are shown in Table 10B, pgs. 213-215 the methodology calculates a need for 40 additional nursing home beds in Pasquotank County. This proposed project is for 24 of 40 nursing home beds (add 24 NH beds in an existing free standing structure on the W. R. Winslow Memorial Home campus) the existing nursing home beds in the county are operating above 90%. The applicant states the following:

*“Cost Report data from the Division of Medicaid Assistance shows the average occupancy rate to be approximately 94% in the county.” (See Exhibit 6, pg. 143).”*

Exhibit 6 data provides the basis for the following calculation of occupancy rates (as of 9/30/2010) for the two nursing facilities in the county; W.R. Winslow Memorial Home occupancy is 95.10% and Guardian Care of Elizabeth City occupancy is 93.3%. W.R. Winslow Memorial Home currently has a waiting list of 99 people. Due to the short term turnover for rehab and other patient types, 95% occupancy is considered to be a fully occupied nursing home from an operational standpoint.

In Section III.1, (b) pg. 26, the applicant states the following:

*“Pasquotank County’s projected 2011 population of individuals over age 65+ is 6,019. The estimated 2016 population of individuals over 65+ is 7,002. This is a 16.33% increase in this population demographic in just 5 years. The projected increases in population for individuals age 65+ and over in zip code 27909 (Elizabeth City), the location of the two county nursing homes, is projected to increase approximately 16.42% between 2011 and 2016. The population in the county from 2011 to 2016 is anticipated to increase 6.9%. Not only is the aging population of Pasquotank County increasing, but the population in general continues to increase in the county. See Exhibit 7.”*

The analyst evaluated the applicant’s percent increase in population for the county and Elizabeth City, over 10 and 5 year blocks of time. The analyst broke the 10 and 5 year percent changes into annual percent change by calculating the Average Annual Percent Change (AAPC). The following table shows variables and related annual percent change per

year data. The annual percentages represent an additional level of detail and are consistent with the applicant's calculations.

**Table 3**  
**Pasquotank County and Elizabeth City**  
**Average Annual Percent Change**  
**In Total Population and 65+ Population**

<b>Geography</b>	<b>Average Annual % Change in Total Population 2000-2011</b>	<b>Average Annual % Change in Total Population 2011-2016</b>
<b>Total Population</b>		
Pasquotank County <u>Including Elizabeth City</u>	2.21%/Year	1.39%/Year
Elizabeth City <u>Excluding Remainder of Pasquotank County</u>	1.90%/Year	3.11%/Year
<b>Geography</b>	<b>Average Annual % Change in Population 65+ 2000-2011</b>	<b>Average Annual % Change in Population 65+ 2011-2016</b>
<b>65+ Population</b>		
Pasquotank County <u>Including Elizabeth City</u>	2.27%/Year	3.28%/Year
Elizabeth City <u>Excluding Remainder of Pasquotank County</u>	2.88%/Year	3.54%/Year

Source: Nielson Solution Center. Prepared October 28, 2011

Need to Add Additional Nursing Home Beds

W. R. Winslow Memorial Home, Inc was incorporated in 1959. In September of 2003 a Certificate was issued to construct a replacement nursing facility of 146 beds which was certified on 10/1/2004. A second building, Carolina Living (24 units of independent living) was incorporated in 1980. As of 9/30/2010 W. R. Winslow Memorial Home was operating at 95.10% occupancy. Carolina Living currently has eleven residents and 46 % occupancy. As noted in the above section, Population to Be Served, the factors driving the need to add 24 nursing home beds in an existing building on the campus that is adjacent to the Winslow Memorial Home are the following:

- To meet the need for additional nursing home beds, as identified in the 2011 State Medical Facilities Plan.
- The occupancy at W.R. Winslow Memorial Home (95.10%) and the occupancy at Carolina House (46%) establish Carolina House as the logical, cost effective, quality of care and accessibility option. Therefore, the Carolina Adventist Retirement Systems, Inc. is requesting the conversion of 24 private independent living units in Carolina House be converted to 24 addition nursing home beds.
- According to he 9/30/2010 Medicaid Cost Report, the existing two nursing homes in Pasquotank County average 90%+ utilization. WMH operates at 95.10% while Kindred Transitional Care (120 beds) operates at 93.31% utilization.

- The applicant has provided population data from Nielson Solution Center (10/28/2011) that shows increasing total population growth for Pasquotank County and Elizabeth City as well as an increasing 65+ population.
- There are 99 people waiting for nursing home bed openings at W.R. Winslow Memorial Home and
- The opportunity to convert Carolina House from 24 existing independent living units to 24 nursing home units with private bathrooms.

Projected Utilization

In Section IV.1, page 38, the applicant provides utilization data for the nine months immediately preceding the submission of the application. Further, in Section IV.2, pages 41-42 the applicant provides projected utilization data for the nursing facility for the first two years of operation following completion of the proposed project, as illustrated in the tables below:

**Table 4  
 Historical Utilization (January 1, 2011 – September 30, 2011)**

	Jan	Feb	Mar	April	May	June	July	Aug	Sept.	Total
NH Patient Days	4,228	3,670	4,290	3,949	4,328	4,185	4,175	4,040	4,042	36,907
Occupancy Rate	93.42%	89.77%	94.79%	90.16%	95.63%	95.55%	92.24%	89.26%	92.28%	92.60%
# of beds	146	146	146	146	146	146	146	146	146	146

**Table 5  
 Projected Utilization First Full Federal Fiscal Year  
 (October 1, 2013 – September 30, 2014)**

	1 <sup>st</sup> Quarter 10/1-12/31	2 <sup>nd</sup> Quarter 1/1-3/31	3 <sup>rd</sup> Quarter 4/1-6/30	4 <sup>th</sup> Quarter 7/1-9/30	Total
NH Patient Days	14,366	14,535	14,697	14,858	58,456
Occupancy Rate	91.85%	95.00%	95.00%	95.00%	94.21%
# of beds	170	170	170	170	170

**Table 6  
 Projected Utilization Second Full Federal Fiscal Year  
 (October 1, 2014 – September 30, 2015)**

	1 <sup>st</sup> Quarter 10/1-12/31	2 <sup>nd</sup> Quarter 1/1-3/31	3 <sup>rd</sup> Quarter 4/1-6/30	4 <sup>th</sup> Quarter 7/1-9/30	Total
NH Patient Days	14,858	14,535	14,697	14,858	58,948
Occupancy Rate	95.00%	95.00%	95.00%	95.00%	95.00%
# of beds	170	170	170	170	170

The applicant projects a fill up rate of four patients per week until 95% occupancy is realized. The applicant projects that by the 2<sup>nd</sup> quarter of the first full federal fiscal year of operation (1/2013-3/2014) the facility will achieve and maintain 95% occupancy.

In summary, the applicant adequately identified the population to be served, demonstrated the need for addition nursing home beds, and the opportunity to renovate Carolina Living facility from a one story 24 unit free standing independent living building to 24 nursing home beds.

The applicant has adequately demonstrated the need to convert independent living beds to nursing facility beds.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

This proposal is neither a reduction, elimination nor relocation of any health service facility beds.

- (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.

C

The applicant considered several alternatives for the addition of 24 private nursing home beds, namely; *the Status Quo, Apply for 40 Additional Nursing Facility Beds, Apply for 34 Additional Nursing Facility Beds, or Apply for 24 Additional Nursing Facility Beds.*

In Section III 2 (a), pgs. 28-30 the applicant states the following:

*“Carolina Living is a 24 unit independent living building on the campus of W.R. Winslow Memorial Home. There are currently 11 residents housed in this building, and the census has historically been low. They are not taking anymore independent living residents, and plan on transferring the existing residents as they age out of independent living care.*

*The 24 independent living units in the Carolina House building adjacent to the W.R. Winslow Memorial Home consist of 24 separate rooms, which can easily be converted into nursing facility use, and a “breezeway” will have to be constructed since the independent living building is not currently attached to the nursing facility. Although there will be construction cost incurred to convert the hallways so that they are appropriate for nursing facility use, and to construct the “breezeway”, this cost (approximately \$41,666 per bed) will be much less than new construction (typically in excess of \$100,000 per bed).*

*Because this alternative would result in 24 additional private rooms for a total of 34 in the facility, the construction cost incurred is anticipated to be less than that of a newly constructed addition, and the size of the facility (170 beds) will be more manageable than the other alternatives, this alternative was deemed the most feasible.”*

This application is conforming to all other applicable statutory and regulatory review criteria. See Criteria (1), (3), (5), (6), (7), (8), (12), (13), (14), (18a), (20) and 10A NCAC 14C.1100. Therefore, the applicant has demonstrated the proposal is the least costly or most effective alternative and is conforming with this criterion subject to the following conditions.



- 1. The Carolina Adventist Retirement Systems, Inc d/b/a W.R. Winslow Memorial Home shall materially comply with all representations made in its certificate of need application.**
  - 2. The Carolina Adventist Retirement Systems, Inc d/b/a W.R. Winslow Memorial Home shall convert the 24 independent living units of the “Carolina Living” facility to 24 nursing facility beds for a total licensed bed complement of not more than 170 nursing facility beds upon completion of the project.**
  - 3. The Carolina Adventist Retirement Systems, Inc d/b/a W.R. Winslow Memorial Home shall submit all patient charges and actual per diem reimbursement rates for each source of patient payment to the CON Section at year end for each of the first two operating years following licensure of the beds in the facility.**
  - 4. The Carolina Adventist Retirement Systems, Inc d/b/a W.R. Winslow Memorial Home shall establish Medicaid per diem reimbursement rates for new nursing facility beds equal to the rates of the facility’s existing beds as of the date on which the additional beds certified.**
  - 5. The Carolina Adventist Retirement Systems, Inc d/b/a W.R. Winslow Memorial Home, 24 additional 2012 nursing beds shall not be certified for participation in the Medicaid program prior to [July 1 the year after the SMFP that identifies the bed need] unless the division of Medical Assistance determines that state funds are available in the current Medicaid budget to pay for the care and authorizes an earlier certification date.**
  - 6. The Carolina Adventist Retirement Systems, Inc d/b/a W.R. Winslow Memorial Home for the first two full federal fiscal years of operation following completion of the project, actual private pay charges shall not be increased more than 5% of the proposed private pay charges provided in Section X of the application without first obtaining a determination from the Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
  - 7. The Carolina Adventist Retirement System, Inc. d/b/a/ W. R. Winslow Memorial Home shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section, in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

In Section VIII.1, p.76 the applicant projects that the total capital expenditure for the proposed facility will be \$1,000,000, including \$60,000 for property acquisition and site preparation, \$582,000 for construction, and \$358,000 for equipment, architectural and engineering fees, and miscellaneous costs. The applicant indicates that no start-up costs are anticipated. W. R. Winslow is an existing facility. In Section VIII, 1, page 64, the applicant indicates that Carolina Adventist Retirement Systems, Inc. (W.R. Winslow Memorial Home) is responsible for all capital costs for the renovation of the building that will house the 24 beds. Exhibit 18 contains a letter from Mr. Michael S. Bohan, Corporate banker and Senior Vice President for Branch Banking and Trust Company in which Mr. Bohan states the following; for additional information related to future bond issuance for \$1,000,000. A letter from BB&T Corporate Banking provides conditional assurance that issuance of a Bond can be arranged for up to \$1,000,000 and states:

*“We understand that Carolina Adventist Retirement Systems, Inc. (CARS) intends to file a Certificate of Need application to obtain 24 additional nursing facility beds by converting there current independent living beds at its existing W.R. Winslow Memorial Home Facility in Pasquotank County.*

*We have had discussions with CARS about this project and would be happy to consider lending up to \$1,000,000 to fund the project. The amount loaned would be secured by a first deed of trust under a Master Trust Indenture. If the loan were made today under a non-bank qualified direct purchase bond issue with a fixed interest rate swap, the interest rate would be 3.79% with a term of 10 years (amortized for 25 years).”* (See Exhibit 18)

The applicant demonstrated that the immediate and long-term financial of the proposal is based upon reasonable projections of the costs of, and charges for developing 24 nursing facility beds.

In Section X. 4, page 78 and as illustrated in Table 7 below, the applicant indicates that the Medicaid rate at the end of the 12/31/10 quarter was \$150.95, which was reduced by mandated legislative changes to \$147.64. The Medicaid rate contains a Fair Rental Value (FRV) rate of \$11.68. The FRV rate will increase to \$12.58; thus, raising the Medicaid rate to \$148.54 upon the completion of construction. In an effort to be cautious when projecting any future increase in the FRV component of Medicaid reimbursement the applicant has assumed that Medicaid reimbursement will remain constant, at \$148.54, through 9/30/2015 (Reference Exhibit 22).

**Table 7**

**W.R. Winslow Memorial Home**

**Projected Reimbursement**

Payer Source	10/1/11 thru 9/30/12		10/1/13 thru 9/30/14		10/1/14 thru 9/30/15	
	Private Room	Semi-Private Room	Private Room	Semi-Private Room	Private Room	Semi-Private Room
Private Pay	\$217.00	\$197.00	\$217.00	\$197.00	\$217.00	\$197.00
Commercial						

Insurance	NA	NA	NA	NA	NA	NA
Medicare	\$400.18	\$400.18	\$400.18	\$400.18	\$400.18	\$400.18
Medicaid	\$147.64	\$147.64	\$148.54	\$148.54	\$148.54	\$148.54
VA	NA	NA	NA	NA	NA	NA
Other (Hospice)	\$174.64	\$147.64	\$148.54	\$148.54	\$148.54	\$148.54

Reference Exhibit 21 for assumptions supporting the change of 24 independent living units to 24 private nursing home beds.

**Table 8**

**W.R. Winslow Memorial Home**

**Current and Projected Revenue and Expenses**

<b>Patient Days, Beds, Revenue &amp; Expenses</b>	<b>10/1/09 Thru 9/30/10</b>	<b>10/1/10 Thru 9/30/11</b>	<b>10/1/11 Thru 9/30/12</b>	<b>10/1/13 Thru 9/30/14</b>	<b>10/1/14 Thru 9/30/15</b>
Pt. Days	50,680	*	N/A*	58,456	58,948
Beds	146	146	146	170	170
Revenue	\$22,313,599	\$23,088,259	N/A	\$12,281,474	\$12,383,330
Expenses	\$21,153,956	\$21,257,177	N/A	\$11,773,978	\$11,787,183
Net Profit	\$ 1,159,643	\$1,831,082	N/A	\$507,496	\$596,147

\*N/A- Not Available

Projected revenues exceed operating costs in each of the first two full years of operation. The assumptions used by the applicant in preparation of the pro forma are reasonable (See Exhibit 21.).

There is one other nursing home in Elizabeth City and Pasquotank County; Kindred Transitional Care and Rehab/Guardian Care (120 beds). In the following table, the 2011 LRA for W. R. Winslow Memorial Home and Kindred Nursing facility provide private and semi-private room rates and the county average rate for FFY 10/1/10 thru 9/30/2011. The W. R. Winslow rates are lower than Kindred Nursing Center and the county average.

**Table 9**

**Pasquotank County Nursing Home Room Rate Comparison**

<b>Private Pay Patients</b>	<b>County Average Private Rates FFY 2010</b>	<b>W.R. Winslow Memorial Home FFY 2010</b>	<b>Kindred Nursing Center FFY 2010</b>
<b>Private Room</b>	<b>\$209</b>	<b>\$200</b>	<b>\$219</b>
<b>Semi-Priv. Room</b>	<b>\$178</b>	<b>\$180</b>	<b>\$175</b>

In summary, the applicant adequately demonstrated the availability of funds for the capital needs of the project. Further, the applicant adequately demonstrated that the financial feasibility of the proposal is based upon reasonable assumptions regarding revenue and operating costs. Therefore, the application is conforming to this criterion.

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

C

The 2011 SMFP identifies a need for 40 additional nursing facility beds in Pasquotank County and the applicant is proposing to develop 24 of the 40 bed need identified in the 2011 SMFP. The applicant’s proposal to develop 24 additional nursing home beds would result in a total of 170 nursing home beds. The applicant adequately demonstrated the need for the 24 additional nursing beds at WMH. Therefore, the applicant’s proposal will not result in unnecessary duplication of existing or approved health service facilities; the application is conforming with this criterion. Criterion (3) discusses the need for the beds.

- (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.

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In Section VII.2, Staff by Shift, pg.57, the applicant proposes to provide registered nurse (RN) and licensed practical nurse (LPN) coverage twenty-four hours per day, seven days per week. In Table VII.4, pg.62, the applicant projects 3.66 nursing hours per patient day (NHPPD) for the NF beds, which exceeds the minimum nursing staff requirements of 2.10 nursing hours per patient day required by 10A NCAC 13D, North Carolina Rules for Licensing of Nursing Homes. In Exhibit 12 a letter from Dr. S. Michael Sutton, MD contains his commitment to serving as Medical Director. Exhibit 11 includes letters from physicians expressing their intent to admit patients and provide the necessary services.

All other necessary staff is included in Table VII.3, pgs.60-61, either as employees, annual consultant hours and contractual arrangements. The applicants adequately demonstrate the availability of sufficient resources for the health manpower necessary to provide the services the applicant proposes (Reference the following table). Therefore, the application is conforming with this criterion.

**Table 10**  
**Projected FTE Staff for the Second Full Federal Fiscal Year**  
**October 1, 2014- September 30, 2015**

<b>Positions</b>	<b>FTEs</b>	<b>Annual Consultant Hours</b>
Medical Director		104
Director of Nursing	1.0	
Asst Director of Nursing	1.0	
MDS Nurse	3.0	
Staff Development Coordinator	1.0	
RNs	8.4	
LPNs	21.0	
CNAs	74.2	
Secretary	4.0	
Medical Records	1.0	
Pharmacy Consult		56.00
Licensed Dietitian		

Food Services Supervisor		
Cooks		
Dietary Aides		
Social Services Director	1.0	
Social Services Admissions	1.0	
Activity Director	1.0	
Activity Assistant	3.0	
Physical Therapist		
Physical Therapist Assistant		
Occupational Therapist		
Occupational Therapist Assistant		
Speech Therapist		
Housekeeping Supervisor	1.0	
Laundry Supervisor	0.5	
Housekeeping Aides	14.0	
Laundry Aides	8.4	
Maintenance Supervisor	1.0	
Maintenance Staff	3.0	
Administrator	1.0	
Asst. Administrator	1.0	
Admissions Coordinator	1.0	
Other	4.0	
Total	155.00	160

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

C

Exhibit 5 includes letters from Physical, Occupational and Speech Therapy providers, and other providers of ancillary and support services. In Table VII.3, pgs.60-61, the application lists several types of providers whose services will be arranged through contracts. The applicant adequately demonstrated that the necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. The application is conforming with this criterion.

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

NA

(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

NA

(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

In Section XI 5, pgs 89-90, the applicant indicates that there are 55,050 existing square feet (SF) in WMH. The square footage to be renovated in Carolina House is 17,266 SF and 2,350 SF of new construction for a connecting breeze way linking Carolina House (24 independent living private rooms) with WMH (146 nursing home beds) for a total of 170 nursing home beds (24 are private units in Carolina House and 10 existing private rooms in Winslow Memorial Home) upon completion. Table VIII.1, pg.65, shows no site acquisition cost. The site, comprising 21.93 +/- acres, was conveyed by Carolina Conference of Seventh Day Adventists, Inc. to Carolina Adventist Retirement Systems, Inc, November 8, 2011 (See Exhibit 29, pg 323). The applicant estimates the total project cost for this project is \$1,000,000. The architect, David R. Polston, AIA, in his letter of November 9, 2011 states the following;

*“Based on our selected design (2,350 S.F.), I would estimate that the square foot cost for new construction of a connecting corridor between the existing nursing home and the existing 24 bed independent housing will be approximately \$120.00 for a total new building budget of \$282,000. The estimated cost of renovations to the existing independent housing necessary for the conversion to a 24 bed nursing addition will be approximately \$300,000.*

*“The total site development costs including grading, fill, compaction, paving and site utilities will be approximately \$60,000. The total architectural fee will be \$64,000. Thus the total development costs for the building addition, renovation and site improvements along with the architectural fee would be approximately \$706,000.”*

In Section VIII, pg. 65-Estimated Capital Costs, there are “other items” with associated costs in addition to the architect estimate of \$706,000, namely; Equipment and Furniture, CON Preparation, Legal, Consulting Fee, Commercial Loan, Interest during Construction and Contingency totaling \$294,000. The sum total of architect estimates and “other items” concurs with the applicant’s total Estimated Capital Cost for the project of \$1,000,000.

In Section II (2), pg. 19, the applicant states the following;

*“As a point of reference, most Alzheimer and dementia residents, as a rule, have a lower degree of medical acuity than other long-term care residents. The vast majority of Alzheimer’s/dementia units are being developed at the ACH level of care.*

*W.R. Winslow Memorial Home’s decision to integrate Alzheimer and dementia related residents into the general facility population are based on the following considerations:*

- *Cost*
- *Non-institutional environment*
- *Access of all beds to all residents*

*Increased capital and operating cost associated with SCUs historically reduces access to the medically underserved.”*

In Section XI.14, pg.93; the applicant explains that the facility will incorporate several methods to maintain energy efficiency.

The applicant adequately demonstrated that the cost, design and means of construction represent the most reasonable alternative for the proposed services, and that the construction cost will not unduly increase costs and charges for health services. See Criterion (5) for discussion of costs and charges. The application is conforming to this criterion.

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

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

C

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages as of June 2010 and CY 2008-2009, respectively. The data in the table was obtained on February 17, 2012. More current data, particularly with regard to the estimated uninsured percentages, was not available.

**Table 11**  
**Medicaid Eligible's**  
**For Pasquotank County, Contiguous Counties, and North Carolina**

<b>Counties &amp; Statewide Comparison</b>	<b>Total # of Medicaid Eligibles as % of Total Population</b>	<b>Total # of Medicaid Eligibles Age 21 and older as % of Total Population</b>	<b>% Uninsured CY &amp; (Estimate by Cecil G. Sheps Center)</b>
<b>County</b>			
Pasquotank	19.00%	8.40%	21.10%
<b>Statewide</b>	17.00%	6.70%	19.70%

The majority of Medicaid eligible is children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the services offered by W.R. Winslow Memorial Home.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligible who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 31.30% for those age 20 and younger and 25.23% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current payer mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.



In Section VI 2 and 3, pgs 50-51, the applicant provides the current and projected payer mix (10/1/2009 through 9/30/2010 and 10/1/2013 through 9/30/2014). There are two licensed nursing homes in Pasquotank County. Based on the 2011 Licensure Renewal Applications for License to Operate a Nursing Home in North Carolina, the following table shows the 2009 proportion of NF days of care provided in the nursing facilities of Pasquotank County and contiguous counties for residents who were eligible for Medicare and Medicaid.

**Table 12**  
**Percent Medicaid and Medicare Patient Days**  
**By Providers for Pasquotank and Contiguous Counties**  
**As of 2009**

<b>County</b>	<b>FACILITIES</b>	<b>Medicaid NF Days as a % of Total NF Days (Reported to DMA in the 2009 Cost Reports)</b>	<b>Medicare NF Days as a % of Total NF Days (REPORTED TO DMA IN THE 2009 COST REPORTS)</b>
Pasquotank	Winslow Memorial Home	64.63%	22.52%
Pasquotank	Guardian Care	74.00%	16.30%
Chowan	Britthaven of Chowan	74.00%	12.67%
Chowan	Chowan River Nursing	80.10%	10.5%
Chowan	Chowan Hospital NF	67.80%	22.00%
Currituck	Sentara Nursing Center	67.60%	11.60%
Gates	Down East Health and Rehab. Center	86.30%	10.12%
Perquimans	Brian Center Hertford	78.10%	15.50%
Statewide Average		67.6%	16.5%

Source Document: DMA 2009 Cost Report NF Data.

The applicant demonstrated that WMH, although somewhat below the N. C. Medicaid average it also provides Medicare greater than the N.C. average, and, thus, currently

provides adequate access to medically underserved populations. Therefore, the application is conforming with this criterion.

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

C

According to the applicant, there have been no civil rights equal access complaints filed against the applicant. Therefore, the application is conforming with this criterion.

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

C

In Section VI.2 and 3, pages 50-51, the applicant illustrates the current payer mix (10/1/09-9/30/10) and projects that the payer mix will stay constant through the second full federal fiscal year of operations (10/1/13-9/30/14), following project completion. The data for current and projected operation is illustrated in the following table;

**Table 13**  
**W.R. Winslow Memorial Home**  
**Current and Projected Payer Mix**

Payer	Patient Days as a Percent of Total Days 10/1/2009-9/30/2010	Projected Patient Days as a Percent of Total Days 10/1/2013-9/30/2014
Private Pay	11.82%	11.82%
Medicare	18.86%	18.86%
Medicaid	64.63%	64.63%
Other (Hospice)*	4.70%	4.70%
Total	100.00%	100.00%

\* Hospice care in a nursing facility is paid by Medicaid.

The applicant adequately demonstrates that the medically underserved population has and will have access to the applicant's existing and proposed services and is therefore conforming to this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI.7, pg. 52; the applicant states:

*“W.R. Winslow Memorial Home has developed relationships with a wide range of sources from which it receives referrals. ...The entities from which the facility receives referrals include the following; Albemarle Hospital, Chowan Hospital, Sentara Norfolk General Hospital, Sentara Obici Hospital, Sentara Virginia Hospital, Chesapeake General Hospital and Pitt Memorial Hospital.”*

- (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

Exhibit 9 contains a contractual agreement between the College of Albemarle and Winslow Memorial Home in which WMH agrees to serve as a clinical education site for students at the College of Albemarle enrolled in health professional training programs. Therefore, the application is conforming with this criterion.

- (15) Repealed effective July 1, 1987.  
(16) Repealed effective July 1, 1987.  
(17) Repealed effective July 1, 1987.  
(18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant adequately demonstrated that the proposed project will have a positive impact upon the cost effectiveness (See Sections III. 3, pg. 30 and V. 6, pgs. 48-49 of the Application), quality (See Section III.4, pgs. 31-32 of the Application), and access (See Sections III.3, pg. 30 and VI.6, page 52 of the Application) to the proposed services for the following reasons:

- a) The applicant adequately demonstrated that the proposal is cost effective [See Criteria (3), (5) and (12)];  
b) The applicant demonstrated that it will provide adequate access to the proposed services [See Criterion (13)];  
c) The applicant adequately demonstrated that it will provide quality services [See Criteria (7) and (20)].
- (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

W.R. Winslow Memorial Home is a certified provider of Title XVIII (Medicare) and Title XIX (Medicaid). According to files in the Nursing Home and Licensure and Certification Section in the Division of Health Service Regulation, no incidents have occurred within the 18 months immediately preceding the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming with this criterion.

(21) Repealed effective July 1, 1987.

- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The proposal is conforming with all applicable Criteria and Standards for a Nursing Facility as required by 10A NCAC 14C .1100. See discussion below.

**SECTION .1100 - CRITERIA AND STANDARDS FOR NURSING FACILITY SERVICES**

**.1101 INFORMATION REQUIRED OF APPLICANT**

*.1101(a) An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-C- Reference Criterion 3-Projected Utilization.

*.1101(b) An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*

-C- Reference Criterion 3, Table 2-Population to Be Served.

*.1101(c) An applicant proposing to establish new nursing facility or adult care home beds shall show that at least 85 percent of the anticipated patient population in the entire facility lives within a 45 mile radius of the facility, with the exception that this standard shall be waived for applicants proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, facilities that are fraternal or religious facilities, or facilities that are part of licensed continuing care facilities which make services available to large or geographically diverse populations.*

-C- Reference Criterion 3-Tables 4, 5, and 6.

*.1101(d) An applicant proposing to establish a new nursing facility or adult care home shall specify the site on which the facility will be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify at least one alternate site on which the services could be operated should acquisition efforts relative to the proposed site ultimately fail, and shall demonstrate that the proposed and alternate sites are available for acquisition.*

C- This is an existing nursing home site of 21.93 +/- acres containing 2 adjacent buildings (Winslow Memorial Home with 146 NH beds and Carolina House with 24 private independent living rooms to be converted to 24 private nursing home rooms). Therefore, the application is conforming with this criterion.

*.1101(e) An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.*

-C- The applicant has an existing site with an operation nursing home facility and therefore is conforming with this criterion.

*.1101(f) An applicant proposing to establish new nursing facility or adult care home beds shall provide documentation to demonstrate that the physical plant will conform with all requirements as stated in 10A NCAC 13D or 10A NCAC 13F, whichever is applicable.*

-C- The applicant is proposing to convert 24 independent living facility beds to 24 private nursing home beds in the existing Carolina House building adjacent to Winslow Memorial Home. This proposal also calls for the development of an enclosed connecting hallway.

## **.1102 PERFORMANCE STANDARDS**

*.1102(a) An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

-C- The applicant does propose to create 24 additional nursing home beds. Reference Table 4 for historic utilization from 1/1/11 to 9/20/11.

*.1102(b) An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds*

*from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

-C- The applicant projects occupancy of 95% by the end of the third quarter of operation following the completion of the proposed project (Table 5. of these findings). Therefore, the application is conforming with this criterion.

.1102(c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

-NA- The applicant does not propose to add adult care home beds to an existing facility.

.1102(d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-NA- The applicant does not propose to establish a new adult care home facility or to add adult care home beds to an existing facility.