

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: July 27, 2012
FINDINGS DATE: August 1, 2012
PROJECT ANALYST: Fatimah Wilson
SECTION CHIEF: Craig R. Smith

PROJECTS I.D. NUMBERS: J-8772-12- Arbor Ridge at Chatham, LLC / Add 40 adult care home beds to the facility for a total of 80-beds with a 32-bed Alzheimer's Special Care Unit upon completion of this project and Project I.D. #J-8662-11 / Chatham County

J-8773-12- Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) / Add 40 adult care home beds to the existing facility for a total of 92-beds with a 22-bed Alzheimer's Special Care Unit upon project completion / Chatham County

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 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, ambulatory surgical operating rooms, or home health offices that may be approved.

C

All Applicants

The 2012 State Medical Facilities Plan ("2012 SMFP") provides a methodology for determining the need for additional adult care home ("ACH") beds in North Carolina.

The 2012 SMFP established a need for 40 ACH beds in Chatham County. Two applications for 40 beds were submitted to the Certificate of Need Section. The two

applications propose a total of 80 ACH beds. However, the limit on the number of ACH beds that may be approved is 40 beds. Arbor Ridge at Chatham, LLC (hereinafter “Arbor Ridge”) submitted an application to construct and add 40 ACH beds to the facility for a total of 80-beds with a 32-bed Alzheimer’s Special Care Unit upon completion of the proposed project and Project I.D. #J-8662-11. Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) (hereinafter “Coventry House”) submitted an application to add 40 ACH beds to the existing facility for a total of 92-beds with a 22-bed Alzheimer’s Special Care Unit upon project completion. A competitive review of these applications began on March 1, 2012.

The 2012 SMFP Policy GEN-3 is applicable to each of the proposed applications. Policy GEN-4 is only applicable to the Arbor Ridge application because the capital expenditure of the proposed project is in excess of \$2 million. Neither Policy LTC-1 nor Policy LTC-2 for Adult Care Home Beds is applicable to either application. There are no other policies applicable to this review.

Policy GEN-3: Basic Principles of the 2012 SMFP states:

“A CON applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan (SMFP) shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing health care value for resources expended. A CON applicant shall

document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A CON applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the SMFP as well as addressing the needs of all residents in the proposed service area.”

The applicants responded to GEN-3 as follows:

Arbor Ridge-Maximize Healthcare Value

In Section III.1(a), page 25, the applicant states,

“The applicant is moving forward with the project relative to the approved Certificate of Need issued in November, 2011 which will reduce the effective deficit of beds to 40, as identified in the State Medical Facilities Plan, but saw the identification of the additional bed allocation for Chatham County as an excellent opportunity to combine the two projects, realize economies of scale,

and provide a less costly adult care home alternative to the citizens of Chatham County. ...”

In Section III.4, page 38, the applicant states,

“As has been previously stated, the applicant holds a certificate of need to relocate 40 adult care home beds and construct a new facility in Chatham County. By adding this 40-bed allocation to the project for a total of 80 beds, the applicant will reduce their per day cost as a result of increased economies of scale. This is demonstrated by comparing costs between applications. The cost per day for the adult care home beds identified in the first CON application (filed April, 2011 and approved in November, 2011) was \$109.85 compared to the overall adult care home cost per day in this application of \$91.92. That is a 16.3% reduction in costs as a result of combing this bed allocation with the previously approved CON application. Any applicant attempting to develop only a 40-bed adult care home would have a difficult time generating the same economies of scale with the same level of care as will be realized by this project.”

In Section V.4, page 53, the applicant states,

“Detailed review of significant cost centers reveals the following:

...Administrative and General cost is slightly lower than the 25th percentile. Ridge Care is able to utilize its home office/management company to achieve economies of scale across its entire organization which results in extremely low Administrative and General cost.

Operation and Maintenance of Plant is slightly lower than the 25th percentile. A newer facility is not anticipated to require the repairs an older facility would.”

Promote Equitable Access

In Section III.4, page 37, the applicant states,

“The average Special Assistance occupancy rate based on most recent license renewal applications was 27.59%. The applicant is proposing a Special Assistance rate of 50.80%, far in excess of the current county average volumes. This will contribute significantly to providing this important healthcare service to the medically underserved. In addition, the proposed location of the facility is in a heavily occupied area of the county and will provide services to the private paying community in

addition to those on Special Assistance. The closest free-standing adult care home in Chatham County that is not a CCRC to the proposed site is approximately 15 miles away. Not only will this project promote equitable access for an increased volume of medically underserved, it will provide increased access to the medically underserved and the overall population of the county.”

In Section VI.6, page 57, the applicant states,

“Area providers, agencies and others have been informed of the proposed project (Exhibits 18, 26, and 27). In addition, the applicant has developed long standing relationships within the healthcare community based on their operation of adult care homes for approximately 14 years in North Carolina. The management company has significant experience in marketing new facilities and making appropriate agencies/healthcare providers/individuals aware of their services.

A partial list of the agencies from which the applicant anticipates to receive referrals is as follows:

| | |
|------------------------------|---------------------------------|
| <i>UNC Healthcare System</i> | <i>The Laurels of Chatham</i> |
| <i>The Family Doctor</i> | <i>Carrboro Family Medicine</i> |
| <i>Chatham Hospital</i> | |

In Section V.4, page 53, the applicant states,

“...Arbor Ridge at Chatham carefully balanced design considerations and resident care requirements in proposing a project that does not sacrifice resident care but yet still provides access to the medically underserved by keeping capital costs reasonable by proposing to construct an attractive and inviting yet not excessive physical plant. The design of 16 private rooms with 50.8% Special Assistance will provide unique access to the underserved.”

Promote Safety and Quality

In Section II.5, page 22, the applicant states,

“Ridge Care has a history of providing quality of care. Close oversight by an experienced administrator and employment of a licensed nurse will assure quality of care.

Personal Care staffing is in excess of the minimum requirements; therefore the licensed nurse will be able to focus on quality of care and regulatory

compliance. 'Hands on' direct care on a day to day basis will be overseen by a Supervisor in Charge on all three shifts.

Ridge Care has developed a comprehensive monitoring tool that is completed quarterly at each community. This tool addresses all aspects of adult care operations including census, policies, admissions, physical plant, dietary, activities, and clinical documentation. It is evident Ridge makes a concerted effort to ensure quality care in its facilities."

In Section III.4, page 37, the applicant states,

"The management company that will oversee the operation of Arbor Ridge of Chatham has a 14 year history of providing excellent care in North Carolina. They intend to deliver the same quality of care in a safe manner at this facility as is provided at other Ridge Care facilities. In 14 years of operation, they have received only one Type A deficiency and routinely receive good surveys. See Exhibit 10 for copies of surveys. ..."

In Section V.4, page 53, the applicant states,

"...Arbor Ridge at Chatham proposes to more than adequately staff this department in order to assure a clean environment.

...The applicant has made a conscious decision to staff the proposed facility in excess of the minimum requirements to assure quality care is provided.

... The applicant understands the importance of providing high quality food to its resident...."

The applicant adequately demonstrates the process by which they encourage the provision of quality healthcare services in meeting the needs of patients to be served. See Criteria (3) and (13c) for additional discussion. In summary, the application is conforming to Policy Gen-3.

Coventry House-Maximize Healthcare Value

In Section III.2(a), page 14, the applicant states,

"We considered just filing for all 40 beds as "regular" ACH designation but that failed to meet the expressed need for a dementia care unit. We also considered 'splitting' the beds with other providers but could generate no interest in such an arrangement. Therefore, we chose the proposal described herein."

In Section V.4, page 24, the applicant states,

“CHSC believes that whenever possible, health planning decision makers should look first to options involving the expansion of existing providers...but not just everyone should be considered, just because they are already in business. Such opportunities should be afforded to proven providers of quality care ...and CHSC meets that requirement as reflected by its stellar operational record.”

Promote Equitable Access

In Section III.4, page 15, the applicants state,

“CHSC is fully accessible to residents of all financial means, race, religion, etc... we would never discriminate against a resident.

...The proposal of CHSC will promote safety and quality in the delivery of healthcare services while promoting equitable access and maximizing healthcare value for resources expended. We provide access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. We are not proposing a change in our resident payor mix, since our nearly 7 years of operation has shown the mix to be what we have projected.”

In Section VI.6, page 29, the applicant states,

“As an existing adult care home, CHSC routinely receives referrals/admissions from many sources, including area hospitals, physicians, home health agencies, other adult care homes and also on occasion from skilled nursing facilities when a resident has successfully completed a rehab program to be appropriate for placement in assisted living. We expect this referral pattern to continue.”

Promote Safety and Quality

In Section II.2, page 10, the applicants state,

“CHSC will continue to provide excellent care to its residents, including assistance with activities of daily living, personal care, medication oversight and administration, and coordination of resident care with other health care providers. The facility will continue to provide a strong and varied activity program for the enjoyment of residents. Having operated adult care homes for over 20 years, we know there is no ‘magic formula’ or secret programs

that may be glitzy or flashy...the best service we can do for our residents is continue to provide the quality health care we have always provided. Our last annual survey report is found in Exhibit 3 and reflects a 4-Star rating of 104.5.”

In Section II.5, page 11, the applicants state,

“Administration and resident care management are constantly monitoring nurses’ notes, care logs, staffing reports, timesheets and care plans to ensure that adequate staff are available and that the residents are receiving the care as outlined by their physicians...we are obviously going about things the right way to have had no deficiencies since 2008.”

In Section III.4, page 15, the applicants state,

“...Our track record shows that we provide outstanding care, as reflected by our 4-Star Rating of 104.5.”

The applicants adequately demonstrate the process by which they encourage the provision of quality healthcare services in meeting the needs of patients to be served. See Criteria (3) and (13c) for additional discussion. In summary, the application is conforming to Policy Gen-3.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities is also applicable to this review. This policy states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN 4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards

implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy-GEN 4. The plan shall not adversely affect patient or resident health, safety, or infection control."

Arbor Ridge

Regarding energy efficiency and sustainability for health service facilities, in Section III.4, page 39 and Section XI.14, page 95, the applicant states,

"The building will be constructed with energy efficient insulation, consistent with existing building codes. Insulated windows, energy efficient split heating and cooling equipment as well as energy efficient appliances will be incorporated into the design of the building. The building will also have programmable thermostats, energy efficient fluorescent lighting and LED lighting and dual level switching. Motion sensors for the lighting will be placed in common areas. A central lighting control system will be used for the common areas which will reduce energy consumption. Either a PV solar array system will be utilized which will tie directly into the electrical system of the building and help offset energy consumption or a net metering system which sells power directly to the utility company.

Water conservation will be achieved through the use of low flow toilets in general area bathrooms. New water pipes will minimize water leak potential. On demand gas water heaters with a recirculation loop will be utilized which will reduce the potential for water heater ruptures and leaks.

Should Arbor Ridge at Chatham be awarded this certificate of need, they understand and acknowledge the Certificate of Need Section will impose a condition requiring them to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan will be consistent with the energy efficient measures outlined above."

The applicant adequately described the project's plan to assure improved energy efficiency and water conservation. Thus, the application is conforming to Policy GEN-4.

Coventry House

Policy GEN-4, Energy Efficiency and Sustainability for Health Service Facilities are not applicable to this review because the capital expenditure for the proposed project is less than \$2 million. However, in Section XI.14, page 60, the applicant states,

“CHSC has already converted to full use of high-efficiency lighting, laundry and kitchen equipment. We will take advantage of new technology where/when appropriate to enhance the efficiency of the new components of the facility.”

In summary, Arbor Ridge is conforming with Policy GEN-3 and Policy GEN-4, and therefore, Arbor Ridge is conforming with this criterion. Coventry House is conforming with Policy GEN-3 and Policy GEN-4 is not applicable, and therefore, is conforming to this criterion. Also, each application in this review conforms to the need determination in the 2012 SMFP, although the limit on the number of ACH beds that may be approved in this review is 40 ACH beds. Therefore, both applications cannot be approved. [See the Comparative Analysis Section for the decision.]

- (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.

C

All Applicants

The historical and projected patient origin data submitted by both sets of applicants identifies Chatham County as the primary service area for the current and proposed services.

Arbor Ridge has a certificate of need for Project I.D. #J-8662-11 to construct a 40-bed replacement facility: the beds will be relocated from southern to northern Chatham County. Arbor Ridge now proposes to construct and add 40 adult care home beds to the facility for a total of 80-beds upon completion of both projects. As part of this project, the applicant proposes to construct 32 ACH beds in a dedicated Alzheimer’s Special Care Unit. The proposed facility will be located in the Chapel Hill ZIP code (27516) that includes part of northern Chatham County. In Exhibit 7, pages 190-193, the applicant describes the special care services to be provided for residents with Alzheimer’s and Related Disorders. According to Section XI.9, pages 92-93 of the application, the proposed 71,752 square foot facility (including independent living) will have 16 private and 64 semi-private beds. The project analyst notes that the applicant did not provide a line drawing of the floor plan of the facility as referenced in Exhibit 44.

Population to Be Served

In Section III.7(a), page 41, the applicant projects the following patient origin by county of residence for the first full federal fiscal year of operation following completion of the project.

| <i>County</i> | <i>Percent of Total ACH Admissions</i> |
|----------------|--|
| <i>Chatham</i> | <i>80%</i> |
| <i>Orange</i> | <i>20%</i> |
| <i>TOTAL</i> | <i>100%</i> |

As shown in the table above, the applicant projects that 80% of admissions will be residents of Chatham County. In Section III.7(b), page 41, the applicant provides the assumptions used to project patient origin as follows,

“Patient origin projections are based on the following assumptions:

- 1. The facility will be located in the largest population zip code area in Chatham County.*
- 2. Based on information provided by the Chatham County Department of Social Services, there are approximately 164 Chatham County residents in adult care homes in North Carolina. See Exhibit 24. Based on the most recent license renewal applications, approximately 72 (26,283 patient days/365) special assistance residents reside in adult care homes in Chatham County. As such, 92 Chatham County residents reside in adult care homes outside Chatham County.*
- 3. The proposed location is estimated to be within 10 minutes of the Orange County line.*
- 4. Ridge Care has operational history with a large percentage of residents being from the county in which the facility is housed. In its Forsyth County building, Kerner Ridge, approximately 85% of the residents are from Forsyth County. In its other buildings, the county of origin for residents from the county in which the facility is located ranges from 40%-50%. Because of the large number of special assistance residents housed in adult care homes outside Chatham County, it was felt the patient county origin would be 80% from the home county, similar to the county of origin of its Forsyth County facility.”*

Therefore, the applicant adequately identified the population to be served.

Need for the Proposed Project

In Section III.1(a), pages 24-28, the applicant states the basis for the need and components of the project.

“The applicant is proposing to add 40 new adult care home beds, with 8 of these being special care unit beds, based on a need determination identified in the 2012 State Medical Facilities Plan for 40 additional adult care home beds in Chatham County.

Two main factors used to determine need are raw statistical data and input from the community.

The State Medical Facilities Plan uses a formula based on population to determine need. Anticipated 2015 population segregated by age category is multiplied by statewide utilization to determine need. The following is a summary of this information contained within the 2012 SMFP for Chatham County:

| <u>AGE</u> | <u>POPULATION</u> | <u>NEED</u> |
|---------------------------|-------------------|-------------|
| -35 | 27997 | 3 |
| 35-64 | 28896 | 48 |
| 65-74 | 6725 | 44 |
| 75-84 | 3784 | 84 |
| 85+ | 2032 | 155 |
| <i>TOTAL</i> | | 334 |
| <i>Existing Inventory</i> | | 294 |
| <i>Deficit</i> | | 40 |
| <i>Deficit Index</i> | | 12% |

In November 2011, the applicant received a certificate of need (J-8662-11) to relocate 40 licensed inoperable ACH beds from the Hill Forest Rest Home to another location within Chatham County and construct a new facility. Hill Forest Rest Home does not currently house any ACH residents and has not housed any since prior to submission of the CON submitted in April 2011. Thus, the effective bed deficit in the county is 80 beds at the current time since these beds are not yet operational. The applicant states that it is there intent to move forward with the previously approved project, but saw the identification of the additional bed allocation for Chatham County as an opportunity to combine both projects, realize economies of scale, and provide a less costly adult care home alternative to residents of Chatham County.

In Section III.2(b), pages 34-36, the applicant states that the proposed site for Arbor Ridge was selected for the following reasons:

“The proposed location of the facility is the same location which was approved in the certificate of need issued November 23, 2011 for 40 adult care home beds. ...

The choice of site for any health service is based on the following key criteria:

- Access to population served*
- Proximity to support services*
- Size to develop proposed projects and future expansion*
- Existing resources*

| | 2016 Estimated Population | 2016 Estimated Population > 65 |
|-------------------|---------------------------|--------------------------------|
| 27517 Chapel Hill | 26,467 | 5,281 |
| 27207 Bear Creek | 4,327 | 722 |
| 27208 Bennett | 1,870 | 341 |
| 27252 Goldston | 2,306 | 439 |
| 27312 Pittsboro | 20,974 | 3,762 |
| 27344 Siler City | 21,590 | 3,158 |
| 27559 Moncure | 2,931 | 441 |
| 27562 New Hill | 2,187 | 263 |
| Totals | 82,652 | 14,407 |

The proposed location of the facility is in zip code 27516. This is a zip code that is recognized as an Orange County zip code for demographic purposes.

The proposed location is approximately 500 feet from being in zip code 27517 and the zip code for the site is recognized as 27517 by some mapping sites. Since Claritas demographic data will not recognize zip code 27516 as a Chatham County zip code, and the site essentially abuts zip code 27517, 27517 will be treated as the location of the site when comparing the location to other locations in Chatham County.

Zip code 27517 is by far the zip code with the largest population concentration. This zip code has approximately 20% of its residents that are over the age of 65, or those more likely to be candidates for adult care home placement. ...

The percentage of residents over the age of 65 residing in zip code 27517 is noteworthy because of the lack of an adult care home in Chatham County in this zip code. ...

Although not considered a Chatham County zip code for demographic purposes, it is estimated that zip code 27516 (actual zip code of proposed facility) will have a population of 38,638 in 2016, with 4,258 people being over the age of 65. This is a larger overall population base of any Chatham County zip code, and the estimated population of individuals over 65 is second only to zip code 27517, which is approximately 500 feet from the subject property. ...

The applicant is proposing to place an adult care home near the largest population base of the county in an area where one does not exist.

The chosen site is 3.85 miles from the closest hospital and 7.23 miles from local physician offices.

This project will accomplish a more even distribution of beds throughout the county, and will establish additional adult care home beds in the northeastern part of the county, closer to the majority of the population of the county.”

The project analyst notes that proposed site is centrally located in the county.

In Section III.1(a), pages 24-28, the applicant demonstrates need based on the following:

Population

In Section III.1(a), page 25, the applicant states,

“Claritas, Inc. predicts an increase in population in individuals over age 65 in Chatham County from 2011-2016 to be 27.83%.”

It is noted by the project analyst that population data obtained from Claritas and or Nielsen Site Reports is the most accurate online source for U.S. demographics and is the first to offer current year and five year demographic projections.

Quality

In Section III.1(a), page 25, the applicant states,

“Although the overall occupancy rate of all Adult Care Homes in Chatham County was approximately 81%, some of those facilities are extremely old, outdated and not what health care planners would consider ‘providers of choice’. ...”

In Section III.1(a), page 26, the applicant states,

“...Adult Care Home placements quite often are ‘elective’ and made only when family members become comfortable with a particular facility. The decision to become a resident of an Adult Care Home may be delayed indefinitely until what is considered a suitable physical plant becomes available.

...Historical reputation, age of the physical plant, and location of the site have much more to do with the potential occupancy of a building than does the county average.

...Today’s consumer in general is of the mindset that newer is better.

...There is absolutely nothing that can be done to an old outdated building that will give it the same appearance and feel of a new building. When choosing an assisted living facility, virtually all of us are, at least initially, driven by the appearance of the building. Right or wrong, quality patient care becomes a secondary consideration in the search for an assisted living facility.”

Medically Underserved

In Section III.1(a), page 26, the applicant states,

“...As such, there are only three adult care homes currently available to the medically underserved of Chatham County.”

In Section III.1(a), page 27, the applicant states,

“The applicant’s projected special assistance percentage of occupancy of approximately 50% is significantly greater than the 27.59% county average. It is evident the beds continue to be needed in Chatham County and most evident that there is a particular need for provider of choice facilities that will provide services to the medically underserved in the county.

...There are only 53 licensed special care unit beds in the county in facilities that accept special assistance residents. Based on most recent license renewal applications there were 92 residents with Alzheimer’s disease or related illnesses housed in adult care homes in Chatham County. This leaves a deficit and demonstrated need of 39 (92-53) beds in the county.

In Orange County, there are 73 licensed special care unit beds. Based on information obtained from the most recent license renewal applications, there

were 125 residents with Alzheimer's disease or related illnesses housed in adult care homes in Orange County, resulting in a deficit and demonstrated need of 52 beds (125-73)."

Special Care Unit

In Section III.1(a), pages 27-28, the applicant states,

"Based on discussions with the ombudsman for Chatham County, special care unit beds in Chatham County are at a premium, and sometimes it is difficult for residents to find open special care unit beds. It is evident there is a need for special care unit beds in Chatham County.

The Chatham County Department of Social Services has demonstrated their support for the project 'particularly considering the additional special care unit beds that will be brought to the county.' ...

Although there is a need for an additional 91 beds (52 + 39) within close proximity to the proposed location of the facility, a bed complement of 32 (8 for the purposes of this CON application) [Project I.D. #J-8662-11 was approved for a 24-bed SCU] special care unit beds was deemed most efficient from a staffing and physical plant perspective.

Based upon information obtained from the Alzheimer's Association, it is estimated 13% of people over 65 have Alzheimer's Disease. With the estimated increase in the number of individuals in North Carolina with Alzheimer's Disease as demonstrated below, the addition of 8 special care unit beds will be needed in the county in the near future.

The Alzheimer's Association predicts the percentage of change in the number of individuals over 65 with Alzheimer's disease in North Carolina to be as follows:

2000-2010 31% increase

2000-2025 62% increase

With the dramatic increase in the percentage of residents with Alzheimer's relative to the increase in population for all residents over 65 (31% increase in residents with Alzheimer's statewide compared to a 22.23% increase of the overall population of those over 65 in Chatham County for the same time period), it is evident there is a continued need for SCU beds."

Further, in Section IV.2(e), pages 44-45, the applicant identified the following assumptions and methodology used to project utilization:

“An occupancy rate of 97.5% is projected based on operational experience, this provider providing a new physical plant in an area of the county where no adult care homes exist, and the fact Ridge Care currently has one building operating at 98% occupancy, and one operating at 96% occupancy.

These assumptions were developed based on the factors of occupancy and operational history and not specific mathematical formulas. Ridge Care affiliated communities are recognized as higher end properties. They have significant operational experience in the operation of adult care homes, particularly in the state of North Carolina. Data from past projects supports the fact that their newer buildings fill up on an average rate of three patients per month and they have historically high occupancy rates in their facilities.

...The database of adult care homes in Chatham County exclusive of CCRC’s shows an occupancy rate of 88.27%. We arrayed adult care homes cost reports from a recent database and identified facilities that were 10 years old or newer. There were 140 Adult Care Homes in the database that fell into this category. Of these 140 homes, 46, or 33% had occupancy rates of 96% or higher. This substantiates the assumption that it is not only possible, but highly probable that a newer facility will be able to achieve 97.5% occupancy, particularly in counties where there are a small number of new buildings.”

In Section IV.2, pages 46-47, the applicant projects utilization for the first three full federal fiscal years of operation following completion of the project.

**Arbor Ridge
Projected Utilization
October 1, 2014 through September 2017**

| | FFY 2015 | FFY 2016 | FFY 2017 |
|--------------------------|-------------|-------------|-------------|
| Adult Care Home | | | |
| Patient Days | 5,321 | 13,995 | 17,082 |
| Occupancy Rate | 30.37% | 79.88% | 97.50% |
| # of Beds | 48 | 48 | 48 |
| Special Care Unit | | | |
| Patient Days | 3,548 | 9,329 | 11,388 |
| Occupancy Rate | 30.38% | 79.87% | 97.50% |
| # of Beds | 32 | 32 | 32 |
| Total ACH | | | |
| Patient Days | 8,869 | 23,324 | 28,470 |
| Occupancy Rate | 30.37% | 79.87% | 97.50% |
| # of Beds | 80 | 80 | 80 |

The applicant adequately demonstrates that their projected volumes for the proposed services incorporate the basic principles in meeting the needs of patients to be served. The applicant adequately demonstrates that the projected occupancy for the total number of adult care home beds within the facility will be 85 percent no later than the two years following completion of the proposed project as required by *10 NCAC 14C.1102(d)*. The applicant projected an occupancy rate of 95.11% for the total adult care home facility by the fourth quarter of FFY 2 of the project. Therefore, the applicant adequately demonstrates need the population has for the proposed services.

In summary, the applicant adequately identified the population to be served and demonstrated the need the population has for the proposed 40 additional ACH beds and a SCU in Chatham County. Therefore, the application is conforming to this criterion.

Coventry House proposes to add 40 adult care home beds to the existing facility for a total of 92-beds upon project completion. The applicants propose that 22 ACH beds to be constructed will be in a dedicated Alzheimer's Special Care Unit. The existing facility is located in Siler City (Chatham County). According to Section XI.9, page 58, and the floor plan contained in Exhibit 5, the proposed 24,995 square foot facility will have 14 private and 78 semi-private rooms.

Population to Be Served

In Section III.7(a), page 16, the applicants project the following patient origin by county of residence for the first full federal fiscal year of operation following completion of the project.

| <i>County</i> | <i>Percent of Total ACH Admissions</i> |
|-----------------|--|
| <i>Chatham</i> | <i>85%</i> |
| <i>Randolph</i> | <i>10%</i> |
| <i>Lee</i> | <i>5%</i> |
| <i>Total</i> | <i>100%</i> |

As shown in the table above, the applicants project that 85% of admissions will be residents of Chatham County. In Section III.7(b), page 16, the applicants states that the assumptions and methodology used to project patient origin are based on actual current census data at the existing facility.

Therefore, the applicants adequately identify the population to be served.

Need for the Proposed Project

In Section III.1(a), page 13, the applicants describe the need for the proposed project.

“The 2012 State Medical Facilities Plan determined that there exists a need for 40 additional adult care home beds in Chatham County. CHSC proposes to meet this need by adding a 22 bed Alzheimer’s care unit, converting 8 existing private rooms to semi-private, and adding 20 additional beds.

As an existing facility, we are keenly aware and constantly in touch with the needs of the community...we get many inquiries for persons needing a special care unit to manage dementia conditions that along with the guidance of local physicians, hospital discharge planners, home health personnel and also Chatham County DSS is the reason we are proposing the dementia unit.”

The applicants demonstrated need for the proposed project based on the following:

- 1) Historical facility utilization;
- 2) Current occupancy rates for existing ACH beds in the county;
- 3) Community Need for ACH/SCU; and
- 4) Projected utilization for the facility

As an existing provider of Adult Care Home services, need for the proposed project can be demonstrated based on the applicant’s historical facility utilization. In Section IV.1, page 17, the applicant provides the historical utilization for the facility as shown in the table below.

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | Total |
|----------------|----------|-------|-------|-------|-------|-------|-------|-------|----------|--------|
| ACH | May 2011 | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan 2012 | |
| Patient Days | 1,581 | 1,500 | 1,550 | 1,550 | 1,500 | 1,519 | 1,500 | 1,519 | 1,550 | 13,769 |
| Occupancy Rate | 98.1% | 96.2% | 96.2% | 96.2% | 96.2% | 94.2% | 96.2% | 94.2% | 96.2% | 95.9% |
| # of Beds | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |

Source: Application page 17

As shown in the table above, the average occupancy over the nine months immediately preceding submittal of the application for 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. The historical facility utilization is conforming to *Criteria and*

Standards for Nursing Facility or Adult Care Home Services in 10A NCAC 14C Section .1102(d).

Current Occupancy for Existing ACH beds

In Section III.1(d), page 13, the applicant states,

“Based on a telephone survey within the past week, it appears most of the facilities in Chatham County have reasonably good occupancy, ranging from approximately 85% to 98%. Our own average occupancy is in excess of 95% for the past nine months or so, this is normal for CHSC.”

Need for Adult Care Home Beds

In Section III.1(e), page 13, the applicant addresses their correspondence with county DSS regarding current occupancy rates of existing ACH beds and the need for additional ACH beds,

“... Our administrator and director of resident care generally speak at least weekly with county DSS personnel and are in constant contact with physicians and discharge planners.”

Need for Special Care Unit

In Section II.3, page 10-11 and Section III, pages 13- the applicants’ state,

“We will add a 22 bed Alzheimer unit as part of this proposal. This is a new wing specifically designed for dementia care.

...This will be our first specialty care unit; however, our licensure record is excellent and we would not anticipate any problems in implementing this new service.

... We get many inquiries for persons needing a special care unit to manage dementia conditions and that along with the guidance of local physicians, hospital discharge planners, home health personnel and also Chatham County DSS is the reason we are proposing the dementia unit.”

Projected Utilization

Further, in Exhibit 7, page 120, the applicants identified the following assumptions and methodology used to project utilization:

“A) Facility opens with new SCU with 4 new residents.

- B) *Facility opens new regular AL section with 2 new residents and 52 residents in current section.*
- C) *ACH fill-up at the rate of 2 residents per month until ACH fills. SCU fill-up rate at the rate of 4 residents per month until SCU fills.*
- D) *ACH considered stabilized at 97.1% with 68 of 70 beds occupied in the ninth month of the first full year (June 2014). SCU considered stabilized at 100% with 22 of 22 beds occupied in the sixth month of the first full year (March 2014).*
- E) *After stabilization, overall facility to be considered full at 97.8% with 90 of 92 beds occupied.”*

In Section IV.2, page 18, the applicants project utilization for the first three full federal fiscal years of operation following completion of the project.

**Coventry House of Siler City
Projected Utilization
October 1, 2013 through September 30, 2016**

| | FFY 2014 | FFY 2015 | FFY 2016 |
|--------------------------|-------------|-------------|-------------|
| Adult Care Home | | | |
| Patient Days | 23,116 | 24,820 | 24,820 |
| Occupancy Rate | 90.5% | 97.1% | 97.1% |
| # of Beds | 70 | 70 | 70 |
| Special Care Unit | | | |
| Patient Days | 6,500 | 8,030 | 8,030 |
| Occupancy Rate | 80.9% | 100.0% | 100.0% |
| # of Beds | 22 | 22 | 22 |
| Total ACH | | | |
| Patient Days | 29,616 | 32,850 | 32,850 |
| Occupancy Rate | 88.2% | 97.8% | 97.8% |
| # of Beds | 92 | 92 | 92 |

The applicant adequately demonstrates that their projected volumes for the proposed services incorporate the basic principles in meeting the needs of patients to be served. The applicant adequately demonstrates that the projected occupancy for the total number of adult care home beds within the facility will be 85 percent no later than the two years following completion of the proposed project as required by *10 NCAC 14C.1102(d)*. The applicant projected an occupancy rate of 97.8% for the total adult care home facility by the fourth quarter of FFY 2 of the project. Due to issues with documentation of need, the applicants have failed to adequately demonstrate the need for the proposed project.

In summary, the applicant adequately identified the population to be served and demonstrated the need the population has for the proposed 40 additional ACH beds

and a SCU in Chatham County. Therefore, the application is conforming to this criterion.

- (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
All Applicants

- (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
All Applicants

Arbor Ridge-In Section III.2(a), pages 31-33, the applicant describes the alternatives considered prior to submission of this application and the basis for selection of the proposed project. The applicant discusses three alternatives to the proposed project. The first alternative was to maintain the status quo. The applicant determined that this was not a viable option because a 40-bed free standing adult care home is difficult to operate profitably because of the relatively low number of beds. The second alternative the applicant considered was to construct another 40-bed adult care home in another part of the county; however, the applicant determined that the demonstration of need in the location of the proposed project and the economies of scale realized by developing the project at one location was a more viable option. The final alternative that the applicant considered was to apply for fewer than the 40 bed allocation. This alternative was rejected because it would allow the possibility of the bed need going unfulfilled and would not generate the same economies of scale as an approved application for all 40 beds, thus this option was deemed to be not viable. After review of Arbor Ridge's proposal, the project analyst determined that the application is conforming with all other applicable statutory and regulatory review criteria. See discussion in Criteria (1), (3), (5), (6), (7), (8), (13), (14), (18a), (20) and *Criteria and Standards for Nursing Facility or Adult Care Home Services* in 10A NCAC 14C Section .1100. Therefore, the application is conforming with this criterion.

Coventry House-In Section III.2(a), page 14, the applicants described the alternatives considered. The applicants discussed two alternatives to the proposed project. The

first alternative was to just file for all 40 beds as ACH designation. The applicants determined that this was not a viable option because it failed to meet the expressed need

for a dementia care unit. The second alternative the applicants considered was to split the beds with other providers; however, the applicants could not generate interest in such an arrangement. After review of Coventry House's proposal, the project analyst determined that the application is conforming with all other applicable statutory and regulatory review criteria. See discussion in Criteria (1), (3), (5), (6), (7), (8), (12), (13), (14), (18a), (20) and *Criteria and Standards for Nursing Facility or Adult Care Home Services in 10A NCAC 14C .1100*. Therefore, the application is conforming with this criterion.

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

C

All Applicants

Each applicant was evaluated to determine whether it adequately demonstrated the availability of funds to meet the operating and capital needs of the project; and for financial feasibility based on reasonable projections of costs and charges for each applicant's second federal fiscal year of operation. The costs and charges evaluated for each applicant include:

- Direct (less ancillary) operating costs per day
- Private pay charges for both private and semi-private rooms; and
- Other issues related to the projected capital costs, operating expenses and revenue of the adult care facilities, including but not limited to, material omissions or inconsistencies in information.

Arbor Ridge- In Section VIII.1, page 68, the applicant projects the total capital expenditure for the proposed project to be \$2,202,198 which includes \$1,455,967 in site costs, \$3,343,694 in construction costs, \$234,000 in equipment and furniture costs, \$103,188 in consultant fees, \$435,872 in financing costs and \$314,660 in interest during construction. In Section IX.1-3, page 73, the applicant projects

start-up expenses of \$53,659 and \$1,222,967 in initial operating expenses for a projected 17 months initial operating period for a total of \$1,276,626 needed for working capital.

In Section VIII.2, page 69, the applicant states that the capital costs of the project will be financed through a commercial loan and the owner's equity in other projects that will be liquidized through refinancing of the debt on the other projects. The commercial loan is described in Exhibit 32, page 551 and contains a letter dated February 8, 2012 from GE Capital Healthcare Financial Services which states,

"We understand Arbor Ridge at Chatham, LLC currently owns 40 adult care home beds in Chatham County and intends to file a Certificate of Need application for 40 additional adult care home beds and construct a new 80 bed adult care home, along with 23 independent living units. General Electric

Capital Corporation ("GECC") currently holds the mortgage on five other properties owned by subsidiaries of Ridge Care (whose principals are Mr. Jeff Dickerson and Mr. Sam Hooker). We have discussed re-financing these properties and allowing the principals to use the equity for future development projects. Based on current appraised amounts we would be willing to consider lending up to \$8,000,000 for this purpose. ..."

Exhibit 32, page 552 contains a letter dated February 10, 2012 from the principal owners, Jeff Dickerson and Sam Hooker documenting the source of capital cost and working capital funds for the proposed project which states,

"We pledge to utilize the cash proceeds of up to \$1,200,000 each (total of \$2,400,000) generated from refinancing our other facilities to fund the construction cost and start up/working capital for our proposed combination 80 bed adult care home/23 unit independent living facility in Chatham County."

Exhibit 33 contains a copy of financial statements which show that as of February 8, 2012, one of the principal owners of Arbor Ridge had total assets of \$12,864,358; \$62,500 in cash and cash equivalents; and net assets (total assets less total liabilities) of \$12,156,211. In summary, applicant documented the availability of adequate funds to develop the proposed project.

In Form B of the pro formas, pages 98-100, the applicant provides the sources of income for the facility during the second full federal fiscal year of operation of the project as shown in the following table.

**Arbor Ridge at Chatham
Form B— Revenue Statement
2nd FFY 10/1/2015—9/30/2016**

| Revenue | ACH | SCU | Total ACH Beds | Independent Living | Total Project |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| SA Resident Revenues | \$403,364 | \$568,877 | \$972,241 | - | \$972,241 |
| Private Pay Revenues | \$769,790 | \$581,904 | \$1,351,694 | \$536,032 | \$1,887,726 |
| Other Revenues | - | - | - | \$32,500 | \$32,500 |
| Total Revenues | \$1,173,154 | \$1,150,781 | \$2,323,935 | \$568,532 | \$2,892,467 |

In Form C, pages 101-111, the applicant provides the cost per patient day by service for the facility during the second full federal fiscal year of operation of the project as shown in the following table.

**Arbor Ridge at Chatham
Form C—Cost Per Patient Day
2nd FFY 10/1/2015—9/30/2016**

| | |
|-----------------------------------|----------------|
| Housekeeping and Laundry | \$4.52 |
| Personal Care | \$32.50 |
| Health Services | \$1.96 |
| Dietary | \$14.06 |
| Recreation | \$3.81 |
| Patient Transfer (Medical) | \$0.35 |
| Initial/Orientation Aide Training | \$0.21 |
| Property/Ownership Use | \$30.38 |
| Administration & General | \$6.80 |
| Operation & Maintenance | \$5.19 |
| TOTAL | \$99.78 |

In Table X.4(b), Projected Per Diem Reimbursement Rates/Charges, page 81, the applicant projected the following charges/rates for the first three operating years following completion of the project.

**Arbor Ridge Projected Per Diem Reimbursement Rate/Charges
October 1, 2014 to September 30, 2017**

| Payor Source | Private Room | Semi-Private Room |
|------------------------------------|-----------------------------|-----------------------------|
| ACH (excluding special care units) | | |
| Private Pay | \$120.00/day (\$3,600/mo.) | \$86.00/day (\$2,580/mo.) |
| State/County Spec Assist | \$57.64/day (\$1,729/mo.) | \$57.64/day (\$1,729/mo.) |
| Special Care Unit | | |
| Private Pay | \$163.00/day (\$4,890/mo.) | \$125.00/ day (\$3,750/mo.) |
| State/County Spec Assist | \$117.27/ day (\$3,518/mo.) | \$117.27/ day (\$3,518/mo.) |

NOTE- Monthly rate/charge is based on a 30-day month.
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For comparison, the following is a table which illustrates the private room charges from the four existing facilities in Chatham County which currently have adult care home beds.

**2011 Adult Care Home LRA
Charges per Patient Day/Month**

| Facility | Private Room Charges | Semi-Private Room (2 beds) | Rooms with 3 or more beds |
|------------------------------|---------------------------------------|---------------------------------|---------------------------|
| Cambridge Hills of Pittsboro | \$110/day \$3,300/mo | n/a | n/a |
| Careview Rest Home | \$83/day \$2,500/mo | \$83/day \$2,500/mo | \$83/day \$2,500/mo |
| Carolina Meadows Fairways | \$172-\$218/day \$5,160-\$6,540/mo | \$256-287 \$7,680-\$8,618/mo | n/a |
| Coventry House of Siler City | \$127/day \$3,800/mo | \$97/day \$2,900/mo | n/a |
| Hill Forest Rest Home | \$93/day \$2,800/mo | \$80/day \$2,400 | \$47/day \$1,400/mo |
| Pittsboro Christian Village | \$120/day \$3,600/mo | \$110/day \$3,300/mo | n/a |

*Reflects top of pricing range provided by facility
NOTE- Monthly rate/charge is based on a 30-day month.

The average charge for ACH beds in Chatham County is up to \$3,757/mo and \$125/day. The applicant is projecting to charge less than the average amount for the county for both private pay and special assistance residents. Therefore, the projected rates/charges for Arbor Ridge commencing in FFY 2015 are reasonable.

The table below shows the gross revenue, expenses and profit/loss for the first three years following completion of the project, as projected in the revenue and expense statements of the proformas found after Tab 12, pages 98-111.

**Arbor Ridge
Projected Revenue, Costs, Profit and Loss
FFY 2015**

| | ACH Beds (excluding SCU) | SCU Beds | Total ACH Beds | Independent Living | Total Project |
|------------------|--------------------------|-------------|----------------|--------------------|---------------|
| Revenue | \$433,204 | \$437,674 | \$870,878 | \$292,500 | \$1,163,378 |
| Expenses | \$1,145,147 | \$968,843 | \$2,112,990 | \$353,315 | \$2,466,305 |
| Profit of (Loss) | (\$711,943) | (\$530,169) | (\$1,242,112) | (\$60,815) | (\$1,302,927) |

FFY 2016

| | ACH Beds (excluding SCU) | SCU Beds | Total ACH Beds | Independent Living | Total Project |
|------------------|--------------------------|-------------|----------------|--------------------|---------------|
| Revenue | \$1,173,154 | \$1,150,781 | \$2,323,935 | \$568,532 | \$2,892,467 |
| Expenses | \$1,396,387 | \$1,151,179 | \$2,574,566 | \$363,570 | \$2,911,136 |
| Profit of (Loss) | (\$223,233) | (\$398) | (\$223,631) | (\$204,962) | (\$18,669) |

FFY 2017

| | ACH Beds (excluding SCU) | SCU Beds | Total ACH Beds | Independent Living | Total Project |
|------------------|-----------------------------|-------------|----------------|-----------------------|---------------|
| Revenue | \$1,422,417 | \$1,404,779 | \$2,827,196 | \$599,750 | \$3,426,946 |
| Expenses | \$1,435,571 | \$1,181,353 | \$2,616,924 | \$374,133 | \$2,991,057 |
| Profit of (Loss) | (\$13,154) | \$223,426 | \$210,272 | \$225,617 | \$435,889 |

Thus, the applicant projects that their revenue will exceed expenses by the third year of operation of the project. In summary, the applicant adequately demonstrated the availability of funds for the capital and operating needs of the proposal and demonstrated the financial feasibility of the proposal is based upon reasonable projections of costs and revenue. Therefore, the application is conforming to this criterion.

Coventry House- In Section VIII.1, page 41, the applicants project the total capital expenditure for the proposed project to be \$830,524 which includes \$70,000 in site costs, \$624,024 in construction costs, \$50,000 in equipment and furniture costs, \$54,000 in consultant fees, \$2,500 in financing costs and a \$30,000 contingency. In Section IX.1-3, page 45, the applicants do not project any start-up expenses and \$20,000 in initial operating expenses for a projected two month initial operating period for a total of \$100,000 line of credit needed for working capital.

In Section IX.3, page 45, the applicants state that the capital costs of the project will be financed through a line of credit. The line of credit is described in Exhibit 8, page 122 and contains a letter dated February 13, 2012 from BB&T which states,

“This letter is to certify that BB&T has approved a financing package for O.A. Keller, III to include additional CON beds for Mr. Keller in Chatham County at the Coventry House of Siler City facility. Mr. Keller is a long time client of BB&T, and we have enjoyed a solid working relationship with his adult care facilities. The proposed loan terms for this facility are \$4,000,000. ...”

Exhibit 8, page 123 contains a letter dated February 14, 2012 from Sam P. Adams, Jr., Vice President of Fidelity Bank documenting the source of capital cost and working capital funds for the proposed project which states,

“Coventry House of Siler City has been associated with the Fidelity Bank since August of 2005. All accounts and relationships with the bank have always been handled as agreed and very satisfactorily. We would be willing to entertain any request they may have on credit facilities associated with the proposed additions to Coventry House. With regard to the proposed CON project, we would be willing to consider an operating line of credit of \$100,000. ...”

Exhibit 10 contains a copy of financial statements for both Coventry House of Siler City and Siler City Health Investors, LLC, which show that as of December 31, 2010, the applicants had had total assets of \$2,442,380; \$54,174 in cash and cash equivalents; and net assets (total assets less total liabilities) of \$47,084 (Coventry House). In summary, applicant documented the availability of adequate funds to develop the proposed project.

In Form B of the pro formas, page 105, the applicants provide the sources of income for the facility during the second full federal fiscal year of operation of the project as shown in the following table.

**Coventry House
Form B— Revenue Statement
2nd FFY 10/1/2014—9/30/2015**

| Revenue | ACH | SCU | Total ACH Beds |
|-----------------------|--------------------|------------------|---------------------------|
| SA Resident Revenues | \$575,336 | \$770,452 | \$1,345,788 |
| Private Pay Revenues | \$1,581,420 | \$201,600 | \$1,783,020 |
| Other Revenues | - | - | - |
| Total Revenues | \$2,156,756 | \$972,052 | \$3,128,808 |

In Form C, pages 111-114, the applicants provide the cost per patient day by service for the facility during the second full federal fiscal year of operation of the project as shown in the following table.

**Coventry House
Form C—Cost Per Patient Day
2nd FFY 10/1/2014—9/30/2015**

| | |
|-----------------------------------|----------------|
| Housekeeping and Laundry | \$2.43 |
| Personal Care | \$37.88 |
| Health Services | \$0.60 |
| Dietary | \$9.42 |
| Recreation | \$0.77 |
| Patient Transfer (Medical) | \$0.93 |
| Initial/Orientation Aide Training | - |
| Property/Ownership Use | \$11.58 |
| Administration & General | \$11.52 |
| Operation & Maintenance | \$4.32 |
| TOTAL | \$79.45 |

In Table X.4(b), Projected Per Diem Reimbursement Rates/Charges, page 51, the applicants projected the following charges/rates for the first three operating years following completion of the project.

**Coventry House Projected Per Diem Reimbursement Rate/Charges
October 1, 2013 to September 30, 2016**

| Payor Source | Private Room | Semi-Private Room |
|------------------------------------|-------------------------------|--------------------------------|
| ACH (excluding special care units) | | |
| Private Pay | \$128.22/day \$3,846.60/mo | \$95.34/day \$2,860.20/mo |
| State/County Spec Assist | \$57.64/day \$1,729/mo | \$57.64/day \$1,729/mo |
| Special Care Unit | | |
| Private Pay | \$180.82/day \$5,424.60/mo | \$138.08/ day \$4,142.40/mo |
| State/County Spec Assist | \$117.27/ day \$3,518/mo | \$117.27/ day \$3,518/mo |

NOTE- Monthly rate/charge is based on a 30-day month.
Application Page 51 Project I.D. J-8773-12

For comparison, the following is a table which illustrates the private room charges from the four existing facilities in Chatham County which currently have adult care home beds.

**2011 Adult Care Home LRA
Charges per Patient Day/Month**

| Facility | Private Room Charges | Semi-Private Room (2 beds) | Rooms with 3 or more beds |
|------------------------------|---------------------------------------|---------------------------------|---------------------------|
| Cambridge Hills of Pittsboro | \$110/day \$3,300/mo | n/a | n/a |
| Careview Rest Home | \$83/day \$2,500/mo | \$83/day \$2,500/mo | \$83/day \$2,500/mo |
| Carolina Meadows Fairways | \$172-\$218/day \$5,160-\$6,540/mo | \$256-287 \$7,680-\$8,618/mo | n/a |
| Coventry House of Siler City | \$127/day \$3,800/mo | \$97/day \$2,900/mo | n/a |
| Hill Forest Rest Home | \$93/day \$2,800/mo | \$80/day \$2,400 | \$47/day \$1,400/mo |
| Pittsboro Christian Village | \$120/day \$3,600/mo | \$110/day \$3,300/mo | n/a |

*Reflects top of pricing range provided by facility
NOTE- Monthly rate/charge is based on a 30-day month.

The average charge for ACH beds in Chatham County is up to \$3,757/mo and \$125/day. The applicant is projecting to charge less than the average amount for the county for both private pay and special assistance residents. Therefore, the projected rates/charges for Coventry House commencing in FFY 2013 are reasonable.

The table below shows the gross revenue, expenses and profit/loss for the first three years following completion of the project, as projected in the revenue and expense statements of the proformas found after Tab 12, pages 104-106.

**Coventry House
Projected Revenue, Costs, Profit and Loss
FFY 2014**

| | ACH Beds (excluding SCU) | SCU Beds | Total ACH Beds |
|------------------|-------------------------------------|-----------------|-----------------------|
| Revenue | \$2,026,729 | \$786,949 | \$2,813,678 |
| Expenses | \$1,622,235 | \$766,811 | \$2,389,046 |
| Profit of (Loss) | \$404,494 | \$20,138 | \$424,632 |

FFY 2015

| | ACH Beds (excluding SCU) | SCU Beds | Total ACH Beds |
|------------------|-------------------------------------|-----------------|-----------------------|
| Revenue | \$2,156,756 | \$972,052 | \$3,128,808 |
| Expenses | \$1,728,719 | \$881,403 | \$2,610,122 |
| Profit of (Loss) | \$428,037 | \$90,649 | \$518,686 |

FFY 2016

| | ACH Beds (excluding SCU) | SCU Beds | Total ACH Beds |
|------------------|-------------------------------------|-----------------|-----------------------|
| Revenue | \$2,156,756 | \$972,052 | \$3,128,808 |
| Expenses | \$1,729,040 | \$883,844 | \$2,612,885 |
| Profit of (Loss) | \$427,715 | \$88,208 | \$515,923 |

Thus, the applicant projects that their revenue will exceed expenses by the third year of operation of the project. In summary, the applicant adequately demonstrated the availability of funds for the capital and operating needs of the proposal and demonstrated the financial feasibility of the proposal is based upon reasonable projections of costs and revenue. 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
All Applicants**

Arbor Ridge The 2012 State Medical facilities Plan (2011 SMFP) identifies a need for 40 additional ACH beds for Chatham County. The applicant proposes to construct and add 40 ACH beds to the facility for a total of 80-beds with a 32-bed Alzheimer’s Special Care Unit upon completion of this project and Project I.D. #J-8662-11. The applicant does not propose to develop more than the 40 ACH bed need determination. The applicant adequately demonstrated the need for the additional beds based on reasonable projected utilization and that the development of 40 new adult care home beds will not unnecessarily duplicate existing health service capabilities or facilities. The applicant projected utilization for the second year of operation to be 95.11%, which is greater than

the 85% targeted threshold outlined in 10A NCAC 14C.1102(d). Thus, the application is conforming with this criterion.

Coventry House The 2012 State Medical facilities Plan (2011 SMFP) identifies a need for 40 additional ACH beds for Chatham County. The applicants propose to add 40 ACH beds to the existing facility for a total of 92-beds with a 22-bed Alzheimer's Special Care Unit upon project completion. The applicants do not propose to develop more than the 40 ACH bed need determination. The applicants adequately demonstrated the need for the additional beds based on reasonable projected utilization and that the development of 40 new adult care home beds will not unnecessarily duplicate existing health service capabilities or facilities. The applicants projected utilization for the second operating year to be 97.8%, which exceeds the 85% targeted threshold outlined in 10A NCAC 14C.1102(d). Thus, the application is conforming with this criterion.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C
All Applicants

Arbor Ridge- In Section VII.4(b), page 64, the applicant provides a table to illustrate the direct care staff hours per patient day which are projected to be 2.00 Direct Care Hours per Patient Day (DCHPPD) for ACH residents plus 3.12 DCHPPD for Special Care Unit residents. The applicant, in Table VII.3, page 63, list 49.3 (including ACH beds and SCU beds) FTE positions in the second year following completion of the project (10/1/15 – 9/30/16). The applicants propose, in the second year following completion of the project, 11.20 FTE personal care aides for staffing of the adult care home beds plus an additional 11.90 FTE personal care aides for the Alzheimer's/Dementia special care unit. In Section VII, page 63, Table VII.3 illustrates the proposed staffing for the second full federal fiscal year:

Arbor Ridge- Proposed Staff- 2nd FFY ending September 30, 2016

| | Annual Salary/ Hourly Wages | ACH FTE's | SCU FTE's | Total Facility ACH FTE's |
|-------------------------------------|--------------------------------|--------------|--------------|--------------------------|
| ROUTINE SERVICES | | | | |
| Supervisor | | | | |
| Nurse/Resident Care Co. | \$65,000 | 1.00 | | 1.00 |
| Personal Care Aide | \$19,760 | 11.20 | 11.90 | 23.10 |
| Medical Director* | \$250 | | | |
| Med Tech//SIC | \$21,840 | 4.20 | 4.20 | 8.40 |
| SCU Care Coordinator | \$40,000 | | 1.00 | 1.00 |
| DIETARY | | | | |
| Food Service Supervisor | \$40,000 | 0.55 | 0.37 | 0.92 |
| Cooks | \$21,840 | 1.55 | 1.04 | 2.59 |
| Dietary Aides | \$17,680 | 1.55 | 1.04 | 2.59 |
| ACTIVITY SERVICES | | | | |
| Activity Director | \$35,000 | 1.00 | 1.00 | 2.00 |
| HOUSEKEEPING and LAUNDRY | | | | |
| Housekeeping Supervisor | \$20,800 | 0.48 | 0.32 | 0.80 |
| Housekeeping/Laundry Aide | \$17,680 | 2.03 | 1.35 | 3.38 |
| OPERATIONS & MAINTENANCE | | | | |
| Maintenance Supervisor | \$31,200 | 0.48 | 0.32 | 0.80 |
| ADMIN & GENERAL | | | | |
| Administrator | \$75,000 | 0.28 | 0.40 | 0.68 |
| Administrative Secretary | \$29,120 | 0.28 | 0.40 | 0.68 |
| Admissions Coordinator | \$40,000 | 0.28 | 0.40 | 0.68 |
| Receptionist | \$20,800 | 0.28 | 0.40 | 0.68 |
| TOTAL POSITIONS* | \$495,720 | 25.16 | 24.14 | 49.30 |

*Note-Total salaries does not include Medical Director

The salary and wages in the proformas for the second operating year total \$1,062,573. There are sufficient funds in the proformas to cover the proposed staffing for the second operating year.

Adequate costs for the health manpower and management positions proposed by the applicants in Table VII.3 are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

Coventry House- In Section VII.4(b), page 36, the applicants provide a table to illustrate the direct care staff hours per patient day which are projected to be 2.87 Direct Care Hours per Patient Day (DCHPPD) for ACH residents plus 4.35

DCHPPD for Special Care Unit residents. The applicants, in Table VII.3, page 35, list 70.20 (including ACH beds and SCU beds) FTE positions in the second year following completion of the project (10/1/14 – 9/30/15). The applicants propose, in the second year following completion of the project, 23.80 FTE personal care aides for staffing of the adult care home beds plus an additional 8.40 FTE personal care aides for the Alzheimer's/Dementia special care unit. In Section VII, page 35, Table VII.3 illustrates the proposed staffing for the second full federal fiscal year. The table is below.

Coventry House- Proposed Staff- 2nd FFY ending September 30, 2015

| | ACH/SCU Annual Salary/ Hourly Rate | ACH FTE's | SCU FTE's | Total Facility ACH FTE's |
|-------------------------------------|---|--------------|--------------|-----------------------------------|
| ROUTINE SERVICES | | | | |
| Supervisor | \$10.00/hr | 4.20 | 4.20 | 8.40 |
| Personal Care Aide | \$9.00/hr | 23.80 | 8.40 | 32.20 |
| Med Tech | \$9.50/hr | 8.40 | 4.20 | 12.60 |
| Care Coordinator | \$14.00/hr | 1.00 | 1.00 | 2.00 |
| DIETARY | | | | |
| Supervisor | \$15.00/hr | 0.50 | 0.50 | 1.00 |
| Cooks | \$8.50/hr | 1.50 | 1.50 | 3.00 |
| Dietary Aides | \$8.50/hr | 1.50 | 1.50 | 3.00 |
| ACTIVITY SERVICES | | | | |
| Activity Director | \$10.00/hr | 0.50 | 0.50 | 1.00 |
| PATIENT TRANSPORTATION | | | | |
| Driver | \$9.00/hr | 0.50 | 0.50 | 1.00 |
| HOUSEKEEPING and LAUNDRY | | | | |
| Housekeeping Supervisor | \$9.50/hr | 0.50 | 0.50 | 1.00 |
| Housekeeping/Laundry Aide | \$8.00/hr | 1.00 | 1.00 | 2.00 |
| Laundry Aides | \$8.00 | 0.00 | 0.00 | 0.00 |
| OPERATIONS & MAINTENANCE | | | | |
| Maintenance Supervisor | \$11.00 | 0.50 | 0.50 | 1.00 |
| Janitors | \$8.50 | 0.00 | 0.00 | 0.00 |
| ADMIN & GENERAL | | | | |
| Administrator | \$60,000 | 0.50 | 0.50 | 1.00 |
| Administrative Secretary | \$9.00/hr | 0.00 | 0.00 | 0.00 |
| Admissions Coordinator | \$12.00/hr | 0.00 | 0.00 | 0.00 |
| Bookkeeper | \$10.00/hr | 0.50 | 0.50 | 1.00 |
| TOTAL POSITIONS | | 44.90 | 25.30 | 70.20 |

The salary and wages in the pro formas for the second operating year total \$1,577,969. There are sufficient funds in the proformas to cover the proposed staffing for the second operating year.

Adequate costs for the health manpower and management positions proposed by the applicants in Table VII.3 are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

- (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
All Applicants

Arbor Ridge- In Section II.2, page 19, the applicant discusses the ancillary and support services that will be made available, including: nutrition and food services; dental services; medical transportation; therapy services; activities and recreation; family support services; volunteer services; and respite care services. Exhibit 7 contains a copy of the regulations for operating a Special Care Unit for individuals with Alzheimer's and related disorders in accordance with 10A NCAC 13F .1301-.1309. Exhibit 8 contains a letter regarding the provision of pharmacy services, dietician services and medical director services; Exhibit 25 contains a letter from the provost at Central Carolina Community College expressing interest in using the facility as a training site for students; Exhibit 26 contains an offer for a transfer agreement by The Laurels of Chatham, a skilled nursing and rehabilitation center. Letters of support were provided in Exhibits 18, 26 and 27 from the following entities:

Chatham County DSS
FirstHealth Chatham EMS
Chatham County Public Health Department
Chatham County Council on Aging
Mobile Rehab, LLC
Orange County Health Department
AmeriCare HomeCare
Orange County Department of Aging
The North Carolina Family Doctor, PA
Chatham County Economic Development Corporation
Chatham Chamber of Commerce
Koonce, Wooten & Haywood, LLP
Wellman Consulting

Joint Orange Chatham Community Action, Inc.

The applicant also provided copies of letters submitted to members of the community in Exhibits 26 and 27 to demonstrate their efforts to involve the community in the planning and development of the proposed services. In summary, the applicants adequately demonstrated that they will provide or make arrangements for the necessary ancillary and support services. The applicants demonstrated in Section V of the application, that the proposed service will be coordinated with the existing health care community. Therefore, the application is conforming to this criterion.

Coventry House- The applicants state in Section II.2 of the application, that they will continue to provide excellent care to its residents, including assistance with activities of daily living, personal care, medication oversight and administration, and coordination of resident care with other health care professionals, as they are an existing provider with established relationships with other healthcare providers in the community. In Section V, pages 23-24, the applicant states,

“As an existing facility in operation since 2005, CHSC has an excellent reputation and rapport with the existing medical community, including UNC Chatham Hospital, many local physicians, home health agencies and the local senior center. ...Relationships are already established.”

Exhibit 4, page 96 contains a letter from US Foods, provider stating that the Coventry House is a customer in good standing with US Foods and will be included on the list of valued customers. The applicant does state in Section II.3, page, page 11, that the Coventry House has an existing agreement in place with EPS pharmacy of Kinston, NC for provision of pharmacy services and also pharmacy consultant services and that no changes are foreseen to this agreement. Exhibit 4, labeled “Letters of Support” in the index to the Exhibits, contains one letter from a health care provider, Community Home Care & Hospice, which states,

“Community Home Care & Hospice of Siler City would like to nominate Coventry House for a Certificate of Need for Chatham County. Our office has had patients recently and in the past. They are wonderful caregivers and our office has never had any complaints or care issues. We support the needs of beds in Chatham County and would like these to be available to The Coventry House of Siler City.”

In Section V.2(b), page 23, the applicant states,

“Additional letters of support are forthcoming and will be submitted at the public hearing.”

The Project Analyst notes that no additional support letters for the Coventry House's proposal were submitted at the public hearing held on April 18, 2012.

In summary, the applicants adequately demonstrated that they will provide or make arrangements for the necessary ancillary and support services. The applicants demonstrated in Section V of the application, that the proposed service will be coordinated with the existing health care community. Therefore, the application is conforming to 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
All Applicants

- (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
All Applicants

- (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
All Applicants

- (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
All Applicants

Arbor Ridge- The applicant proposes to build a 71,752 square foot facility on property in the Chapel Hill area of Chatham County. In Section XI.8, page 92, the applicant states that upon completion of the project, the adult care home facility will house 16 private beds and 64 semi-private beds. Thirty-two (32) of the semi-private beds will be dedicated Special Care Unit beds. The project analyst notes that no line drawing was provided by the applicant as referenced in Exhibit 44.

Exhibit 45 of the application contains a letter dated February 3, 2012, from Jim O. White, AIA, which states:

“We have examined several design alternatives for the new adult care home facility proposed for Arbor Ridge at Chatham, LLC in Chatham County. Based upon the selected design, we estimate the construction cost of the new project to be approximately \$5,144,145. Site development costs including clearing, paving, site utilities and sewer system are estimated to be \$1,021,000. Architectural and engineering fees are estimated to be \$123,750. Total estimated costs for the building, site improvements, and architectura/engineering fees are \$6,288,895.

We estimate the amount applicable to the adult care home (excluding independent living) to be as follows: Construction costs - \$3,343,695, site development costs - \$663,650, architect and engineering fees - \$80,438 for a total of \$4,087,783.

These costs are in line with other projects we have completed over the past several months. ...”

The construction cost of \$3,343,695 is based on the architect’s estimate of cost per square foot which is consistent with the applicants construction cost figure in Section VIII, Table VIII.1, page 68, Estimated Capital Costs. In Section XI.13 and 14, page 95, the applicant describes the measures that will be used to contain costs and maintain efficient energy operations. The applicants adequately demonstrated that the cost,

design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing adult care home services. See Criterion (5) for discussion of costs and charges. Therefore, the application is conforming to this criterion.

Coventry House- The applicants propose to renovate and add to the existing facility for a total of 24,995 square foot on property in the Siler City area of Chatham County. In Section XI.8, page 58, the applicants state that upon completion of the project, the adult care home facility will house 14 private beds and 78 semi-private beds. Twenty-two (22) of the semi-private beds will be dedicated Special Care Unit beds housed in a separate section of the facility as shown on the line drawing in Exhibit 5. Exhibit 5 of the application contains a letter dated February 14, 2011, from Tim W. Sherman, which states:

“Mullins-Sherman, Architects has provided assistance in the development of the preliminary plans for additions to the Coventry House of Siler City. The project will consist of a twenty-two (22) bed Alzheimer’s wing addition, conversion of eight (8) existing private rooms to semi-private status, and a ten (10) adult care home bed addition. Based upon that preliminary design, we estimate the building construction cost of the project to be approximately \$624,024. Site development cost for grading, relocation of driveways and parking, landscaping, etc. is \$70,000 Architectural and engineering fees are estimated to be \$40,000. Total estimated construction costs for the project is \$734,024.

The above noted estimated cost is based upon the construction cost of recent past projects of similar size and scope. ...”

The construction cost of \$624,024 is based on the architect’s estimate of cost per square foot which is consistent with the applicants construction cost figure in Section VIII, Table VIII.1, page 41, Estimated Capital Costs. In Section XI.13 and 14, page 60, the applicants describe the measures that will be used to contain costs and maintain efficient energy operations. The applicants adequately demonstrated that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing adult care home services. See Criterion (5) for discussion of costs and charges. Therefore, 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;

NA
Arbor Ridge

C
Coventry House

In Section V1.2, page 26, the applicant reports that 51.9% of the patients who received treatments at Coventry House had some or all of their services paid for by Special Assistance with Basic Medicaid or Special Assistance with Enhanced Medicaid in the past year. The table below illustrates the historical payment source of the facility.

| Payor Source | Adult Care Home Residents |
|--|---------------------------|
| Private Pay | 62.00% |
| Special Assistance with Basic Medicaid | 38.00% |
| *Special Assistance with Enhanced Medicaid | 13.91% |

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 CY2009, respectively. The data in the table was obtained June 21, 2012. More current data, particularly with regard to the estimated uninsured percentages, was not available.

| | Total # of Medicaid Eligibles as % of Total Population | Total # of Medicaid Eligibles Age 21 and older as % of Total Population | % Uninsured CY 2005 (Estimate by Cecil G. Sheps Center) |
|----------------|--|---|---|
| Chatham County | 12.0% | 4.1% | 19.3% |
| Statewide | 17.0% | 6.7% | 19.7% |

*Source: DMA Website: <http://www.ncdhhs.gov/dma/pub/index.htm>

The majority of Medicaid eligibles are 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 dialysis services to be offered at Coventry House.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles 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 48.6% for those age 20 and younger and 31.6% 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 payor 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.

The applicant demonstrated that medically underserved populations currently have adequate access to Coventry House's existing services. Therefore, the application is conforming to this criterion.

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

NA
Arbor Ridge

C
Coventry House

In Section VI.5(a), page 28, the applicant states that no civil rights access complaints have been filed against the existing facility. 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
All Applicants

Arbor Ridge In Section VI.2, page 56, the applicant projects 52% of Special Care Unit resident days would receive Special Assistance as a percent of total days for the second full federal fiscal year (10/15 to 9/16) of operation following completion of the project as illustrated in the following table.

**Table VI.3 Projected Days as % of Total Days
October 1, 2015 through September 30, 2016**

| <i>Payor Source</i> | <i>Adult Care Home Residents</i> | <i>Special Care Unit Residents</i> |
|---|----------------------------------|------------------------------------|
| Private Pay | 50.00% | 48.00% |
| Special Assistance w/ Basic Medicaid | 50.00% | 52.00% |
| Special Assistance w/ Enhanced Medicaid | % | % |
| Other | % | % |
| Total | 100.0% | 100.0% |

The applicant demonstrates that they intend to provide adequate access to medically underserved populations and are conforming to this criterion.

Coventry House In Section VI.3, page 27, the applicant projects 81.8% of Special Care Unit resident days would receive Special Assistance as a percent of total days for the second full federal fiscal year (10/14 to 9/15) of operation following completion of the project as illustrated in the following table.

**Coventry House
Projected Days as % of Total Days
October 1, 2014 through September 20, 2015**

| <i>Payor Source</i> | <i>Adult Care Home Residents</i> | <i>Special Care Unit Residents</i> |
|--|----------------------------------|------------------------------------|
| Private Pay | 60.30% | 18.20% |
| Special Assistance w/ Basic Medicaid | 39.70% | 81.80% |
| *Special Assistance w/ Enhanced Medicaid | % | % |
| Other | % | % |
| Total | 100.0% | 100.0% |

*The Enhanced Medicaid Days are included in the SA-Basic Medicaid Days. These days demonstrate only the days for which Enhanced Payment is received, and not additional days. The amount is based on the following percentages of

SA-Basic Medicaid Days from similar facilities:

| | |
|----------------------|-----|
| Toileting | 10% |
| Ambulation | 5% |
| Toileting and Eating | 1% |
| Eating | 1% |

The applicant demonstrates that they intend to provide adequate access to medically underserved populations and are 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
All Applicants

Arbor Ridge- In Section VI.6, page 57, the applicant states,

“Area providers, agencies and others have been informed of the proposed project (Exhibits 18, 26 and 27). In addition, the applicant has developed long standing relationships within the healthcare community based on their operation of adult care homes for approximately 14 years in North Carolina. The management company has significant experience in marketing new facilities and making appropriate agencies/healthcare providers/individuals aware of their services.

A partial list of the agencies from which the applicant anticipates to receive referrals is as follows:

| | |
|------------------------------|---------------------------------|
| <i>UNC Healthcare System</i> | <i>The Laurels of Chatham</i> |
| <i>The Family Doctor</i> | <i>Carrboro Family Medicine</i> |
| <i>Chatham Hospital”</i> | |

Therefore, the application is conforming to this criterion.

Coventry House-In Section VI.6, page 29, the applicants’ state,

“As an existing adult care home, CHSC routinely receives referrals/admissions from many sources, including area hospitals, physicians, home health care agencies, other adult care homes and also on occasion from skilled nursing facilities when a resident has successfully completed a rehab program to be appropriate for placement in assisted living. We expect this referral pattern to continue.”

Therefore, the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C
Arbor Ridge

CA
Coventry House

Arbor Ridge-In Exhibit 25, page 441, the applicant provides a letter dated January 19, 2012, from Karen Harton Allen, Provost, Chatham County, Central Carolina Community College, which states:

“I understand that Arbor Ridge at Chatham, LLC intends to file a Certificate of Need application for 40 additional adult care home beds and construct a new 80 bed adult care home in Chatham County. We would be interested in considering the use of this new facility as a clinical training site once the above referenced project is completed.

The facility will offer a valuable service to the community and provide unique training opportunities for our students. ...”

Therefore, the application is conforming to this criterion.

Coventry House- In Section V.1, page 23, the applicants state the following regarding documentation to for from existing health professional training programs,

“CHSC does not have any such formal agreements in place, but we do on occasion offer community service in the form of training programs for CNAs. It has been our experience that most such training programs are more focused on skilled nursing facilities where a broader range of medical conditions and procedures can be observed, learned and taught.”

The applicants did not demonstrate that the facility would accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conditioned below to this criterion as stated in Condition 5 at the end of these findings.

- (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
All Applicants

Arbor Ridge-See Sections II, III, V, VI and VII. In particular, see Section V.4, pages 53-54, in which Arbor Ridge discusses the impact of the project as it relates to promoting cost-effectiveness, quality and access. Approval of 40 additional adult care beds in the Chapel Hill area of Chatham County will allow the distribution of beds in the county to be more closely aligned with the population. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to adult care home services in Chatham County. This determination is based on the information in the application, and the following:

- ◆ The applicant adequately demonstrates the need to add 40 adult care home beds to the previously approved facility for a total of 80 adult care home beds with a 32 bed special care unit and that it is a cost-effective alternative;
- ◆ The applicant proposes to provide quality services; and states:

“Ridge Care has a history of providing quality of care. Close oversight by an experienced administrator and employment of a licensed nurse will assure quality of care.

Personal Care staffing is in excess of the minimum requirements; therefore the licensed nurse will be able to focus on quality of care and regulatory compliance. ‘Hands on’ direct care on a day to day basis will be overseen by a Supervisor in Charge on all three shifts.

Ridge Care has developed a comprehensive monitoring tool that is completed quarterly at each community. This tool addresses all aspects of adult care operations including census, policies, admissions, physical plant, dietary,

activities, and clinical documentation. It is evident Ridge makes a concerted effort to ensure quality care in its facilities.

The management company that will oversee the operation of Arbor Ridge of Chatham has a 14 year history of providing excellent care in North Carolina.

They intend to deliver the same quality of care in a safe manner at this facility as is provided at other Ridge Care facilities. In 14 years of operation, they have received only one Type A deficiency and routinely receive good surveys. See Exhibit 10 for copies of surveys. ...”

- ◆ The applicants propose to provide adequate access to medically underserved populations.

“The average Special Assistance occupancy rate based on most recent license renewal applications was 27.59%. The applicant is proposing a Special Assistance rate of 50.80%, far in excess of the current county average volumes. This will contribute significantly to providing this important healthcare service to the medically underserved. In addition, the proposed location of the facility is in a heavily occupied area of the county and will provide services to the private paying community in addition to those on Special Assistance. The closest free-standing adult care home in Chatham County that is not a CCRC to the proposed site is approximately 15 miles away. Not only will this project promote equitable access for an increased volume of medically underserved, it will provide increased access to the medically underserved and the overall population of the county.”

In Section VI.(2), page 56, the applicant projects 52% of special care unit resident days would receive Special Assistance and 50% of adult care home resident days would receive Special Assistance as a percent of total days during the second full federal fiscal year of operation, following the completion of the project.

Therefore, the application is conforming to this criterion.

Coventry House-See Sections II, III, V, VI and VII. In particular, see Section V.4, page 24, in which Coventry House discusses the impact of the project as it relates to promoting cost-effectiveness, quality and access. The applicants adequately demonstrated that their proposal will have a positive impact upon the cost effectiveness of the proposed services. See Criteria (1), (3), (4), (6), (8) and (14). This determination is based on the information in the application, and the following:

- ◆ The applicants adequately demonstrated the need to add 40 adult care home beds to the existing facility for a total of 92 adult care home beds with a 22 bed special care unit and that it is a cost-effective alternative;
- ◆ The applicant has provided and proposes to provide quality services; and states:

“CHSC will continue to provide excellent care to its residents, including assistance with activities of daily living, personal care, medication oversight and administration, and coordination of resident care with other health care providers. The facility will continue to provide a strong and varied activity program for the enjoyment of residents. Having operated

adult care homes for over 20 years, we know there is no 'magic formula' or secret programs that may be glitzy or flashy...the best service we can do for our residents is continue to provide the quality health care we have always provided. Our last annual survey report is found in Exhibit 3 and reflects a 4-Star rating of 104.5.

Administration and resident care management are constantly monitoring nurses' notes, care logs, staffing reports, timesheets and care plans to ensure that adequate staff are available and that the residents are receiving the care as outlined by their physicians...we are obviously going about things the right way to have had no deficiencies since 2008."

- ◆ The applicants propose to provide adequate access to medically underserved populations.

"CHSC is fully accessible to residents of all financial means, race, religion, etc... we would never discriminate against a resident. Our track record shows that we provide outstanding care, as reflected by our 4-Star Rating of 104.5 (included in EXHIBIT 1). The proposal of CHSC will promote safety and quality in the delivery of healthcare services while promoting equitable access and maximizing healthcare value for resources expended. We provide access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. We are not proposing a change in our resident payor mix, since our nearly 7 years of operation has shown the mix to be what we have projected.

As an existing adult care home, CHSC routinely receives referrals/admissions from many sources, including area hospitals, physicians, home health agencies, other adult care homes and also on occasion from skilled nursing facilities when a resident has successfully completed a rehab program to be appropriate for placement in assisted living. We expect this referral pattern to continue."

In Section VI.(3), page 27, the applicants project 81.8% of special care unit resident days would receive Special Assistance and 39.7% of adult care home resident days would receive Special Assistance as a percent of total days during the second full federal fiscal year of operation, following the completion of the project.

Therefore, the application is conforming to this criterion.

- (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.

NA
Arbor Ridge

C
Coventry House

Coventry House- The Adult Care Home Licensure and Certification Section, DHSR, regulates Coventry House and has stated that no incidents occurred at Coventry House within the eighteen 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 to 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
All Applicants

All applicants are conforming to all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services in 10A NCAC 14C Section .1100, as indicated below.

.1101 INFORMATION REQUIRED OF APPLICANT

- (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- **Arbor Ridge-** The applicant projects the first eight quarters occupancy levels in Section IV, Table IV.2, page 46. The assumptions are provided in Section IV.2(e), pages 44-45, and Exhibit 34, page 559. See Criterion (3) for discussion of the reasonableness of the projections and assumptions.

- C- **Coventry House-** The applicants project the first eight quarters occupancy levels in Section IV, Table IV.2, page 18. The assumptions are provided in Exhibit 7, page 120.

- (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- **Arbor Ridge-** In Section III.7(a), page 41, the applicant projects patient origin by county of residence. The applicant assumptions, including methodology used, are set forth in Section III.7(b), page 41.

- C- **Coventry House-** In Section III.7(a), page 16, the applicants project patient origin by county of residence. The applicants assumptions, including methodology used, are set forth in Section III.7(b), page 16.

- (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- **Arbor Ridge-** In III.8(a), page 42, the applicant states,

“All residents are anticipated to live within 45 minutes driving time of the adult care home.”

The applicant’s assumptions, including methodology used, are set forth in III.8(b-c), page 42.

- C- **Coventry House-** In Section III.8(a), page 16, the applicants state that 100% of the anticipated adult care home patient population to be served following completion of the project live within 45 minutes driving time of the adult care home.

The applicants assumptions, including methodology used, are set forth in Section III.8(b), page 16.

- (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- **Arbor Ridge-** In Section XI.2, page 85, the applicant identifies a primary site. In Section XI.2, page 88, the applicant identifies a secondary site. See Exhibit 35 for documentation that the site is available for acquisition.
- NA- **Coventry House-** The proposed project is not for a new nursing facility or adult care home.
- (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- **Arbor Ridge-** In Section XI.2(a-1), pages 85-88, the applicant addresses the issues of water, sewage disposal, site development and zoning.
- NA- **Coventry House-** The proposed project is not for a new nursing facility or adult care home.
- (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- **Arbor Ridge-** In Section II.1, page 15, the applicant states,
- “The applicant is an experienced developer of adult care homes and will construct a physical plant that complies with*
- all applicable licensure regulations relative to adult care homes as identified in Exhibit 7.”*
- See also Section II.2, pages 16-20.
- C- **Coventry House-** In Section II.1, page 10, the applicants’ state,

“See letter from Architect in Exhibit 5. The existing physical plant passed all construction standards prior to opening in late 2005, and the proposed addition will also meet all applicable design and construction criteria.”

See also Section II.2, pages 10-11.

.1102 PERFORMANCE STANDARDS

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

-NA- **All Applicants** propose to develop new ACH beds not add NF beds.

- (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.*

-NA- **All Applicants** propose to develop new ACH beds not NF beds.

- (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

Arbor Ridge

- C- **Coventry House**-In Section IV.1, Table IV.1, page 17, the applicants document 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.

- (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.*

- C- **Arbor Ridge**-In Section II.1, page 16, the applicant states,

“The occupancy rate is anticipated to reach 97.5% prior to the end of year two. Assumptions and specific methodologies are identified in Section IV.”

The applicant in Section IV, Table IV.2, page 46, indicates that occupancy at the end of the second full year of operation will be 95.1% for ACH beds and 95.1% for SCU (Alzheimer’s) beds for a combined occupancy rate of 95.1% at the end of the Second Full Federal Fiscal Year. All assumptions are set forth in Section IV.1(e), pages 44-45 and Exhibit 34 of the application. Despite inconsistency with the applicant’s statements, the projected occupancy rate is still documented as being higher than 85 percent for the total number of adult care home beds proposed to be operated. Therefore, the applicant is conforming to this rule.

- C- **Coventry House**- The applicants, in Section IV, Table IV.2, page 18, indicate that occupancy at the end of the second full year of operation will be 97.1% for the ACH beds and 100.0% for the SCU (Alzheimer’s) beds for a combined occupancy rate of 97.8% at the end of the Second Full Federal Fiscal Year. All assumptions are set forth in Exhibit 7 of the application.

COMPARATIVE ANALYSIS OF COMPETING APPLICATIONS

Pursuant to N.C.G.S. 131E-183(a)(1), no more than 40 new adult care home beds may be approved in this review for Chatham County. Because the two applications in this review collectively propose the development of a total of 80 new adult care home beds, all applications cannot be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the project analyst also conducted a comparative analysis of the proposals to decide which proposal should be approved. For the reasons set forth below and in the rest of the findings, both the applications submitted by Arbor Ridge at Chatham, LLC and Siler City Health Investors, LLC (lessor) and Coventry House of Siler City (lessee) are approved to develop 20 adult care home beds for a total of 40 new adult care home beds and may include a special care unit of up to 20 beds, in Chatham County.

Geographic Location of Beds by ZIP Code Analysis

Currently there are six facilities with licensed adult care home beds in Chatham County. The table below illustrates where the adult care beds are currently located and the number of beds.

| Facility | Location | ZIP Code | # of Licensed Beds |
|------------------------------|-------------|----------|--------------------|
| Cambridge Hills of Pittsboro | Pittsboro | 27312 | 90 |
| Careview Rest Home | Snow Camp | 27349 | 20 |
| Carolina Meadows Fairways* | Chapel Hill | 27517 | 95 |
| Coventry House of Siler City | Siler City | 27344 | 52 |
| Hill Forest Rest Home** | Goldston | 27252 | 40 |
| Pittsboro Christian Village | Pittsboro | 27312 | 40 |

Source: 2011 LRAs *CCRC **Licensed but inoperable

Both of the applicant’s propose to develop a special care unit for Alzheimer’s/dementia patients as part of their project.

Arbor Ridge proposes to add 40 adult care home beds to the facility for a total of 80-beds with a 32-bed Alzheimer’s Special Care Unit upon completion of this project and Project I.D. #J-8662-11.

Coventry House of Siler City proposes to add 40 adult care home beds to the existing facility for a total of 92-beds with a 22-bed Alzheimer’s Special Care Unit.

In Section III.2(b), pages 34-36, Arbor Ridge provided a ZIP code analysis for Chatham County. It is noted by the project analyst that the population data obtained from Claritas and/or Nielsen Solution Center is the most accurate online source for

U.S. demographics and is the first to offer current year and five year demographic projections. The ZIP code for the proposed Arbor Ridge facility is 27516. The applicant states that although ZIP code 27516 extends into Chatham County, it was considered an Orange County ZIP code by Claritas and could not be factored with a Chatham County ZIP code analysis. Therefore, the applicants for Arbor Ridge utilized the 27517 (Chapel Hill) ZIP codes for the purpose of analysis because the actual ZIP code where the facility will be located is approximately 500 feet from Chatham County. ZIP codes recognized as Chatham County ZIP codes with applicable population data are shown below and provided by Arbor Ridge in Exhibit 22.

| | 2016 Estimated Population | 2016 Estimated Population > 65 |
|-------------------|---------------------------|--------------------------------|
| 27517 Chapel Hill | 26,467 | 5,281 |
| 27207 Bear Creek | 4,327 | 722 |
| 27208 Bennett | 1,870 | 341 |
| 27252 Goldston | 2,306 | 439 |
| 27312 Pittsboro | 20,974 | 3,762 |
| 27344 Siler City | 21,590 | 3,158 |
| 27559 Moncure | 2,931 | 441 |
| 27562 New Hill | 2,187 | 263 |
| Totals | 82,652 | 14,407 |

Source: Arbor Ridge application page 34

The applicant previously stated that ZIP code 27517 has the largest population concentration. This ZIP code represents approximately 20% of its residents that are age 65 or older, or those who are most likely to be candidates for adult care home services. The applicant also notes the lack of ACH services in this portion of the county. In Section III.2(b), page 35, the applicant states,

“Although not considered a Chatham County zip code for demographic purposes, it is estimated that zip code 27516 (actual zip code of proposed facility) will have a population of 38,638 in 2016, with 4,258 people being over the age of 65. This is a larger overall population base of any Chatham County zip code, and the estimated population of individuals over 65 is second only to zip code 27517, which is approximately 500 feet from the subject property.”

As shown in the table above, the three largest ZIP codes in Chatham County are Chapel Hill, Siler City and Pittsboro. There are three existing ACH facilities in the 27312 ZIP code of Pittsboro, two are freestanding, Cambridge Hills of Pittsboro and Pittsboro Christian Village. The third, The Arbor at Galloway Ridge, is a combination adult care home/nursing home and does not accept admits from outside their community or special care residents. There is one existing ACH facility in the 27344 ZIP code of Siler City, Coventry House of Siler City. Arbor Ridge was previously approved (Project I.D. #J-8662-11) to develop its ACH facility closest to the largest

population concentration of Chatham County, Chapel Hill. This area of the county does not currently have an ACH facility. The 27517 ZIP code area combined with the 27516 ZIP code area (actual location of the facility) comprises the largest 65 and older population concentration of Chatham County. The 65 and older population are most likely to utilize adult care/special care services.

In summary, Arbor Ridge is the more effective alternative because it is proposing to place 40 additional ACH beds near the largest population base of the county that also has the largest number of residents over age 65 according to population data provided by the applicant in Section III of the application.

Site Factors

Arbor Ridge has identified two sites for the development of the proposed 80 bed facility (40 new beds and 40 replacement beds = 80 beds). The primary site is located at 72 Marvin Edwards Lane in Chatham County near the Orange County line on approximately 17 acres of land. The primary site is not yet purchased nor is it properly zoned for an adult care home. However, the applicant states that based on conversations with the Chatham County Planning Department; an assisted living facility is the type of use that would fit the property and would not be inconsistent with the other uses in close proximity to the site. Therefore, there is nothing at this point that would necessarily preclude the rezoning from occurring. Water is available on the primary site as demonstrated in Exhibit 36, but the applicant will have to construct a private sewer/septic system for which a \$400,000 capital expenditure cost has been included in the total capital costs for this purpose.

The secondary site is located at 70 Sunny Acres in Pittsboro on approximately 43 acres of land. The secondary site is not yet purchased nor is it properly zoned for an adult care home. However, the applicant provides the necessary procedures for rezoning for conditional use zoning in Exhibits 37 and 40 of the application. The applicant also states that based on conversations with the Chatham County Planning Department; an assisted living facility is the type of use that would fit the property and would not be inconsistent with the other uses in close proximity to the site. Therefore, there is nothing at this point that would necessarily preclude the rezoning from occurring. The applicant states that water is available directly on site, but a private sewer/septic system will have to be constructed.

The applicant adequately demonstrated in its application that the proposed site is currently serviced by water and that the costs for sewer/septic services for the primary site have been included in the proposed capital expenditure.

Coventry House is an existing 52-bed adult care home located in the Chatham County Business Park off US 421 in Siler City near Chatham County Hospital.

Coventry House plans to renovate existing space and construct additional space for adult care home beds to accommodate its proposed project. The applicants' facility is properly zoned and permitted for use as an adult care home facility with water and sewer services already in place. No site acquisition, rezoning or permitting is required. Therefore, Coventry House is the more effective alternative with regard to site factors.

Staffing

Direct Care Staff

The following table compares the applicants with respect to projected direct care hours per patient day to be provided by total direct care nursing staff for the adult care home beds as projected in Section VII of the applications.

| Applicant | Direct Care Hours PPD- ACH | Direct Care Hours PPD- SCU |
|----------------|----------------------------|----------------------------|
| Arbor Ridge | 2.00 | 3.12 |
| Coventry House | 2.87 | 4.35 |

Coventry House is the more effective alternative for adult care home and special care unit beds based on Direct Care Hours Per Patient Day. Arbor Ridge is the less effective alternative based on Direct Care Hours Per Patient Day.

Number of Total FTE Staff per Facility Bed

The following table indicates the number of total FTE staff positions per adult care home bed proposed by each applicant in the second year of operation.

| Applicant | FTE/Bed |
|----------------|---------|
| Arbor Ridge | .524 |
| Coventry House | .641 |

As shown in the above table, Coventry House is the more effective alternative with regard to the number of total FTE staff positions per adult care home bed because they propose more total staff per bed. Arbor Ridge is the less effective alternative based on total staff per bed.

ACH Private Pay Charges

Private Pay Charges – per Day

| | Adult Care Home Beds (Excluding SCU) | Adult Care Home Beds (Excluding SCU) |
|----------------|---|---|
| | Private Room | Semi-Private Room |
| Arbor Ridge | \$120.00 | \$86.00 |
| Coventry House | \$128.22 | \$95.34 |

SCU Private Pay Charges

Private Pay Charges – per Day

| | Special Care Unit Beds | Special Care Unit Beds |
|----------------|------------------------|------------------------|
| | Private Room | Semi-Private Room |
| Arbor Ridge | \$163.00 | \$125.00 |
| Coventry House | \$180.82 | \$128.08 |

As shown in the tables above, Arbor Ridge charges the lowest rate for both adult care home and special care unit beds in private and semi-private rooms. Therefore, Arbor Ridge is the more effective alternative (less costly) for adult care home/special care unit beds in a private and semi-private room with private pay. Coventry House is the less effective alternative (more costly) because it proposes to charge more for adult care home beds and special care unit beds in a private and semi-private room with private pay.

Operating Costs for 2nd Operating Year

The following table illustrates the applicants’ projected facility operating costs (excluding SCU beds) 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 for future operating years*”.

| | Total Facility Cost per Patient Day |
|----------------|-------------------------------------|
| Arbor Ridge | \$109.23 |
| Coventry House | \$79.45 |

Coventry House is the less costly facility with regard to cost per patient day. Arbor Ridge more costly facility with regard to cost per patient day. Therefore Coventry House is the more effective alternative based on facility operating cost per patient day and Arbor Ridge is the less effective alternative based on facility operating cost per patient day.

Ratio of Private Pay/ Total Costs (Direct & Indirect) - ACH Bed Private Rooms

| | Costs per patient day | ACH- Private Room Charge | Ratio (the “mark-up” – charges over costs) |
|----------------|-----------------------|--------------------------|--|
| Arbor Ridge | \$99.78 | \$120.00 | 20.0% |
| Coventry House | \$79.45 | \$128.22 | 61.0% |

Ratio of Private Pay/ Total Costs (Direct & Indirect) - SCU Bed Private Rooms

| | Costs per patient day | SCU- Private Room Charge | Ratio (the “mark-up” – charges over costs) |
|----------------|-----------------------|--------------------------|--|
| Arbor Ridge | \$123.40 | \$163.00 | 32.0% |
| Coventry House | \$109.75 | \$180.82 | 64.0% |

As shown in the table above Arbor Ridge has the lower percentage markup of charges over costs for private rooms for both ACH beds and SCU beds. Coventry House has the higher percentage markup of charges over costs for private rooms for both ACH beds and SCU beds. Therefore, Arbor Ridge is the more effective alternative based on percentage markup of charges over cost. Coventry House is the less effective alternative based on percentage markup of charges over cost.

Access by County Residents

The following table indicates the percentage of patients originating from Chatham County that each applicant proposes to serve in the second year of operation.

| Applicant | Percentage of Patient Origin from Chatham County |
|----------------|--|
| Arbor Ridge | 80% |
| Coventry House | 85% |

As shown in the table above, Coventry House proposes to serve a higher percentage of Chatham County residents. Arbor Ridge proposes to serve a lower percentage of Chatham County residents. Therefore, Coventry House is the more effective alternative with regard to access by Chatham County residents. Arbor Ridge is the less effective alternative with regard to by Chatham County residents.

Access by Recipients of State/County Special Assistance

The country average for access by recipients of state/county special assistance for Adult Care Homes in Chatham County is 27.59%. The following table compares the applicants’ projected percentage of total patient days of care provided to recipients of State/County Special Assistance.

| Projected Special Assistance with Basic and Enhanced Medicaid Percent of Days in Year Two | | |
|---|---------------|-------------------|
| Applicant | ACH Residents | Special Care Unit |
| Arbor Ridge | 50.00% | 52.00% |
| Coventry House | 46.50% | 81.80% |

Coventry House projects approximately 3.5% less than Arbor Ridge with regard to total days of care to be provided to recipients of State County Special Assistance to ACH residents. However, Arbor Ridge projects approximately 29.8% less than Coventry House with regard to total days of care to be provided to recipients of State County Special Assistance to SCU residents. Therefore, both Arbor Ridge and Coventry House are equally effective with regard to access by recipients of State/County Special Assistance.

Summary

The following is a summary of the reasons **Coventry House of Siler City** is determined to be the most effective alternative in this review:

- **Coventry House** adequately demonstrated the need for the additional Adult Care Home beds and a Special Care Unit. See Criterion (3) for discussion.
- **Coventry House** proposes to renovate existing space and construct additional space for adult care home beds on existing property that is currently used for the same purposes with water and sewer service already in place.
- **Coventry House** projects to serve a higher percentage of patients receiving special assistance for SCU beds.
- **Coventry House** proposes the higher ratio of Direct Care Staff per patient day for both ACH beds and SCU beds.
- **Coventry House** proposes the higher Number of Total FTE Staff per Facility Bed.
- **Coventry House** proposes to spend the lesser amount in facility cost per patient day.

The following is a summary of the reasons **Arbor Ridge at Chatham** is determined to be the second most effective alternative in this review:

- **Arbor Ridge** adequately demonstrated the need for the additional Adult Care Home beds and a Special Care Unit. See Criterion (3) for discussion.

- **Arbor Ridge** proposes to develop the additional Adult Care Home beds near the largest population base of the county that also has the largest number of residents over age 65.
- **Arbor Ridge** proposes a lower private pay charge for ACH beds in both private and semi-private rooms.
- **Arbor Ridge** proposes a lower private pay charge for SCU beds in both private and semi-private rooms.
- **Arbor Ridge** proposes a lower amount on percentage markup of charges over cost for ACH beds.
- **Arbor Ridge** proposes a lower amount on percentage markup of charges over cost for SCU beds.

CONCLUSION

The 2012 SMFP established a need determination for 40 adult care home beds in Chatham County. Both Arbor Ridge and Coventry House proposed the development of 40 adult care home beds for a total of 80 adult care home beds. However, the NC General Statutes Section 131E-183(a)(1) states that the need determination in the SMFP is a determinative limit on the number of adult care home beds that can be approved by the CON Section. The CON Section determined that the applications submitted by both Arbor Ridge and Coventry House, as conditioned below, are both effective alternatives proposed in this review for the development of the additional adult care home beds in Chatham County and both are approved to develop 20 beds each.

The application submitted by Arbor Ridge at Chatham, LLC is approved subject to the following conditions:

1. **Arbor Ridge at Chatham, LLC shall materially comply with all representations made in their certificate of need application.**
2. **Arbor Ridge at Chatham, LLC shall add no more than 20 adult care home beds and operate no more than 60 adult care beds and may include a special care unit of up to 20 beds, upon completion of this project and Project I.D. #J-8662-11.**
3. **For the first two years of operation following completion of the project, Arbor Ridge at Chatham, LLC shall not increase actual private pay charges more than 5% of the projected**

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.

- 4. For the first two federal fiscal years, Arbor Ridge at Chatham, LLC shall accept Medicaid reimbursement shall accept special assistance with basic Medicaid for the special care unit beds commensurate with the conditions outlined above.**
- 5. Arbor Ridge at Chatham, LLC 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.**

The application submitted by Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) is approved subject to the following conditions:

- 1. Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) shall materially comply with all representations made in their certificate of need application.**
- 2. Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) shall add no more than 20 and operate no more than 72 adult care beds, and may include a special care unit of up to 20 beds, upon completion of the project.**
- 3. Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) shall not increase actual private pay charges more than 5% of the projected 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.**
- 4. For the first two federal fiscal years, the applicants Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) shall accept special assistance with basic Medicaid for the special care unit beds commensurate with the conditions outlined above.**

- 5. Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) shall provide letters to area health professional training programs offering the Coventry House facility as a clinical training site.**

- 6. Siler City Health Investors, LLC (lessor) and Coventry House of Siler City, LLC (lessee) 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.**