

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: September 4, 2015

Findings Date: September 4, 2015

Project Analyst: Gloria C. Hale

Team Leader: Lisa Pittman

Project ID #: J-11045-15

Facility: Croasdaile Village Retirement Community

FID #: 956223

County: Durham

Applicant: The United Methodist Retirement Homes, Incorporated

Project: Add 34 adult care home beds for a total of 64 adult care home beds upon project completion

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

CA

Croasdaile Village Retirement Community (Croasdaile Village) is a non-profit facility licensed by the Department of Insurance as a Continuing Care Retirement Community (CCRC). It is located at 2600 Croasdaile Farm Parkway in Durham, Durham County. In Section I.7, page 2, the applicant states,

“Croasdaile Village Retirement Community proposes renovations and new construction for the addition of up to 34 licensed assisted living beds (adult care home beds) for a total of 64 licensed assisted living beds, and renovations to expand therapy services space; no additional nursing facility beds are proposed.”

In addition, in Section I.8, page 3, the applicant states,

“Croasdaile Village also intends to add 58 Independent Living units (34 duplexes and 24 villas) to the existing 402 Independent Living Units for a total of 460 units at completion. The addition of Independent Living units is not regulated by Certificate of Need.”

In Section I.12, pages 8-9, the applicant states that Croasdaile Village is located in Durham on 110 acres of land and consists of “...245 apartments, 101 cottages (including 27 free-standing homes), 56 personal services apartments in Heritage Hall, 30 licensed assisted living units in Friendship House, and 110 licensed skilled nursing beds in The Pavilion.”

The applicant proposes to add 34 adult care home (ACH) beds for a total of 64 licensed ACH beds upon completion of the project. The table below summarizes Croasdaile Village’s currently-licensed and proposed beds.

Croasdaile Village			
	Nursing Facility (NF) Beds	Adult Care Home (ACH) Beds	Total
Currently Licensed	110	30	140
Proposed	0	34	34
Total	110	64	174

Need Determination

There are no need determinations in the 2015 State Medical Facilities Plan (2015 SMFP) applicable to the review of this proposal.

Policies

Croasdaile Village is a CCRC and is applying to add ACH beds. There are two policies in the 2015 SMFP that are applicable to the proposed project as follows:

Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities - Adult Care Home Beds

Qualified continuing care retirement communities may include from the outset or add or convert bed capacity for adult care without regard to the adult care home bed need shown in Chapter 11: Adult Care Homes. To qualify for such exemption, applications for certificates of need shall show that the proposed adult care home bed capacity:

- (1) Will only be developed concurrently with, or subsequent to, construction on the same site of independent living accommodations (apartments and homes) for people who*

are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages, and rooms.

- (2) Will provide for the provision of nursing services, medical services or other health related services as required for licensure by the North Carolina Department of Insurance.*
- (3) Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing or adult care unit of the continuing care retirement community for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.*
- (4) Reflects the number of adult care home beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care after making use of all feasible alternatives to institutional adult care home care.*
- (5) Will not participate in the Medicaid program or serve State-County Special Assistance recipients.*

In Section I.8, page 3; Section I.12, page 8; Section II.1, page 11; Section III.1, pages 38-39; Section III.4, pages 44-45; Section IV.1, pages 57-58; Section VI.3, page 67; and Section X.4, pages 97-98, and supplemental information, the applicant adequately describes how its proposed project is consistent with Policy LTC-1. The applicant adequately documents the proposal is consistent with Policy LTC-1.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

“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 of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

The proposed capital expenditure for this project is greater than \$5 million. In Section III.4, pages 47-48, the applicant states:

"Croasdaile Village will develop and implement an Energy Efficiency and Sustainability Plan for the facility's renovations and expansion project that conforms to or exceeds the energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.

...

The facility renovation and construction plans and specifications for the project shall be researched and developed by the project architect, with input from facility engineering and administration, to include specific design features to ensure improved energy efficiency and water conservation."

The applicant states, on page 48, that its plan will include the following:

- Renovated, added, or upgraded higher energy efficient lighting systems,
- Upgraded or added water systems such as hand wash facilities and toilets,
- Replaced, upgraded, or added heating, ventilation and air-conditioning systems,
- Upgraded existing insulation in the building's attic space,
- New, energy efficient windows, insulation, and building envelope design features to conserve energy, and
- Evaluation and purchase of minor equipment such as ice machines.

The applicant adequately documents the proposal is consistent with Policy GEN-4.

Conclusion

In summary, the applicant adequately demonstrates that its proposal to renovate and add an additional 34 ACH beds for a facility total of 64 licensed ACH beds and 110 licensed NF beds is consistent with the following two policies in the 2015 SMFP: *Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*. Therefore, the application is conforming to this criterion.

- (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

On page 217, the 2015 SMFP defines the service area for ACH beds as “*the adult care home bed planning area in which the bed is located.*” The planning area is the county with the exception of Hyde and Tyrell Counties which are a combined service area. Thus, the service area for this facility consists of Durham County. Facilities may also serve residents of counties not included in their service area.

Croasdaile Village is licensed by the Department of Insurance as a CCRC and is located in Durham, Durham County. The applicant proposes to expand and renovate its facility to add 34 ACH beds, for a total of 110 NF beds and 64 ACH beds upon project completion. In Section III, pages 50-53, the applicant states that the additional ACH beds will only be utilized by persons who have established residency agreements at Croasdaile Village, as required by Policy LTC-1 in the 2015 SMFP.

Population to Be Served

In Section III, pages 51-52, the applicant provides its current and proposed patient origin by county of residence and indicates that the patient origin will not change, as follows:

Croasdaile Village Current and Proposed Patient Origin by County

County	NF Beds, Percent of Total Admissions	ACH Beds, Percent of Total Admissions
Durham	87.9%	100%
Orange	4.4%	0%
Wake	2.2%	0%
Other NC	3.3%	0%
Other States	2.2%	0%
Total	100.0%	100%

The applicant states, in Section III, page 51, that the NF and ACH beds primarily serve the needs of residents of Croasdaile Village and that an individual establishes residency in Durham County upon becoming a member of the Croasdaile Village community. The applicant further states, in Section III, page 52, that based on individuals becoming residents of Croasdaile Village and therefore having established residency, *“100% of the assisted living admissions will be from Durham County.”*

The applicant adequately identifies the population to be served.

Need Analysis

In Section III, pages 31-37, the applicant describes the factors supporting the need for the proposed project, summarized as follows:

Social and Demographic Characteristics of Durham County

On pages 31-32, the applicant states that Durham County is an attractive destination option for retirees and because of this, growth at Croasdaile Village is expected to continue. The applicant states,

“Durham County is an attractive retirement destination because it has a strong economy, affordable housing options, tremendous educational opportunities and world class healthcare with some of the best physicians in the world.”

Population Growth and Aging in Durham County

On pages 32-33, the applicant provides population projections by age group for Durham County, as follows:

Durham County Population by Age Group and Year

Age Group	2015	2020	Increase	Percent Increase
0-44	195,539	208,112	12,573	6.4%
45-64	68,474	74,944	6,470	9.5%
65-100+	33,798	42,757	8,959	26.5%
Total	297,811	325,813	28,002	9.4%

The applicant states that the oldest age group with the highest percentage increase in growth, at 26.5%, is the age group with the highest utilization of retirement communities and of adult care home and nursing facility services. Therefore, it states, *“The aging of the population will drive greater demand for continuing care retirement services.”*

Croasdaile Village Occupancy and Waiting List

The applicant states, on page 33, that Croasdaile Village has maintained high occupancy rates for all of its services: independent living units, ACH beds, and NF beds. This is depicted in the following table:

Croasdaile Village Occupancy Rates

	Number	2013 Occupancy Rate	2014 Occupancy Rate
Independent Living Units	402	94.3%	97.7%
ACH Beds	30	96.7%	100.0%
NF Beds	110	88.1%	93.0%

In addition, the applicant states that there is a waiting list for both independent living units and ACH beds, with 478 individuals and couples waiting for an independent living unit and 43 individuals waiting for an ACH bed.

Percentage of ACH beds to Independent Living Units

The applicant states, on page 36, that because CCRCs provide a continuum of services to their residents, there should be a balance between all types of services/beds provided in accordance with the needs of the residents. The applicant reviewed the current number of independent living units, ACH beds, and NF beds of five of the largest CCRCs in the state to determine the percentage of ACH beds to the number of independent living units and the percentage of NF beds to independent living units that each has. This is summarized in the following table:

CCRC	Number of Independent Living Units	Number of ACH beds	ACH beds as percentage of Independent Living Units	Number of NF beds	NF beds as percentage of Independent Living Units
Carolina Meadows	429	79	18.4%	90	21.0%
Givens Estates	400	61	15.3%	70	17.5%
Plantation Estates	361	60	16.6%	80	22.2%
Twin Lakes	386	56	14.5%	116	30.1%
Croasdaile Village	402	30	7.5%	114 [110]	28.4% [27.4%]

Note: Corrected numbers and percentages, based on the 2015 License Renewal Application for Croasdaile Village, are in brackets.

As shown in the table above, Croasdaile Village has a much lower percentage of ACH beds to independent living units than the other CCRCs and has one of the highest percentages of NF beds to independent living units. The applicant states, on page 36, that it has too few adult care home beds. The applicant provides another table depicting a percentage analysis for Croasdaile Village at the completion of the proposed project, as follows:

Croasdaile Village	Number of Independent Living Units	Number of ACH beds	ACH beds as percentage of Independent Living Units	Number of NF beds	NF beds as percentage of Independent Living Units
Current units and licensed beds	402	30	7.5%	114 [110]	28.4%
Proposed units and licensed beds	54	34	n/a	0	n/a
Totals at project completion	456	64	14.0%	114 [110]	25.0% [24.1%]

Note: Corrected numbers and percentages, based on the 2015 License Renewal Application for Croasdaile Village, are in brackets.

As shown in the table above, the applicant's proposed addition of 54 independent living units and 34 ACH beds will increase the percentage of ACH beds to independent living beds from 7.5% to 14.0%. The applicant states, on page 37, that this "is in the range of comparable CCRCs." Since no increase in NF beds is proposed by the applicant, the percentage of NF beds to independent living

beds will actually decrease from 27.4% to 24.1%, which, as the applicant states on page 37, “*is also reasonable by comparison to the other CCRCs.*”

Projected Utilization

In Section IV.1, page 54, the applicant provides its historical ACH bed utilization during the nine months preceding submission of the application, summarized as follows:

**Croasdaile Village
Historical ACH Bed Utilization, August 2014 – April 2015**

Month	Licensed ACH Beds	Total Patient Days	Average Occupancy Rate
August 2014	30	912	98.1 %
September 2014	30	844	93.8%
October 2014	30	913	98.2%
November 2014	30	850	94.4%
December 2014	30	885	95.2%
January 2015	30	886	95.3%
February 2015	30	799	95.1%
March 2015	30	919	98.8%
April 2015	30	890	98.9%
Totals	30	7,898	96.4%

As shown above, the existing ACH beds at Croasdaile Village have operated at an average occupancy rate of 96.4% during the time period, August 2014 – April 2015.

In Section III.1, page 38, the applicant provides its current and projected utilization for ACH beds for the current federal fiscal year, 10/1/2014 – 9/30/2015, three interim project years, from 10/1/2015 – 9/30/2018, and for the first three full federal fiscal years after completion of the project, as follows:

Croasdaile Village Current and Projected Utilization of ACH Beds

ACH Beds	Current Year FFY 2015	Interim Year FFY 2016	Interim Year FFY 2017	Interim Year FFY 2018	Project Year 1 FFY 2019	Project Year 2 FFY 2020	Project Year 3 FFY 2021
Patient Days	10,403	10,512	10,567	10,622	19,856	21,024	22,192
Occupancy Rate	95.0%	96.0%	96.5%	97.0%	85.0%	90.0%	95.0%
Number of Beds	30	30	30	30	64	64	64

FFY = 10/1 – 9/30

The applicant provides its assumptions and methodology used to project utilization for ACH beds in Section III, pages 38-39, which includes “*high demand from the existing waiting list with 43 persons.*” On page 39 and in supplemental information, the applicant provides the “*ramp up of occupancy for the additional beds, projected admissions, discharges and deaths*” for the first three years of the project after completion, as follows:

**Croasdaile Village Projected Quarterly Utilization of ACH Beds
Project Year 1
October 1, 2018 – September 30, 2019**

	Existing 30 ACH Beds				Additional 34 ACH Beds		
	Beginning census = 29				Beginning census = 0		
	Admissions	Discharges	Deaths		Admissions	Discharges	Deaths
1 st Quarter	2	2	0		7	0	0
2 nd Quarter	3	2	0		8	1	1
3 rd Quarter	2	2	1		8	1	0
4 th Quarter	3	2	0		9	1	0
Totals	10	8	1		32	3	1
	Ending census = 30				Ending census = 28		
Days of Care	10,622				9,235		
Occupancy	97.00%				72.29%		
Combined Days of Care (64 beds)	19,856 [19,857]						
Combined Occupancy	85.0%						

Project Year 2
October 1, 2019 – September 30, 2020

Beginning census for 64 ACH beds = 58			
	Admissions	Discharges	Deaths
1st Quarter	6	4	0
2nd Quarter	6	5	1
3rd Quarter	6	5	0
4th Quarter	6	5	1
Totals	24	19	2
Ending census = 61			
Days of Care	21,024		
Occupancy	90.0%		

Project Year 3
October 1, 2020 – September 30, 2021

Beginning census for 64 ACH beds = 61			
	Admissions	Discharges	Deaths
1st Quarter	6	5	0
2nd Quarter	6	5	1
3rd Quarter	6	5	0
4th Quarter	6	5	1
Totals	24	20	2
Ending census = 63			
Days of Care	22,192		
Occupancy	95.0%		

The applicant’s projected occupancy levels exceed the performance standard in 10A NCAC 14C .1102 *Criteria and Standards for Nursing Facility Services or Adult Care Home Services*.

The applicant’s projected annual utilization for the ACH beds is consistent with its historical experience, the planned addition of 54 independent living units to the CCRC, the projected population growth of Durham County, particularly the 65+ age group, and the waiting list it has for ACH beds. The projected utilization of the ACH beds at Croasdaile Village is based on reasonable and adequately supported assumptions. The applicant adequately demonstrates the need for the proposed project.

Access

In Section III, page 45, and Section VI, page 67, the applicant states that the proposed ACH beds will be used exclusively to meet the needs of people with whom the facility has continuing care contracts with. In addition, the applicant states, on page 67, that the proposed additional ACH beds will be private pay.

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need the population projected to be served has for the proposed project, and adequately demonstrates the extent to which all residents of the service area will have access to the services. 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

- (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

In Section III.2, pages 40-42, the applicant discusses the alternatives considered prior to submission of this application, which include:

1. Maintain the status quo – the applicant states that this alternative is not an effective alternative for the following reasons:
 - The demand for adult care beds, due to growth and aging, would not be addressed due to current limited capacity;
 - The planned expansion of independent living units will increase demand for adult care beds;
 - Renovations needed to meet the current industry model of resident-centered care would not be undertaken; and
 - Building systems that are outdated and inefficient, would not be updated.
2. Add Independent Living Units but no Adult Care Home Beds – the applicant states that this would expand access to the community, but not address “*the current waiting list of residents who have requested admission to assisted living.*” In addition, updates to

building systems and other facility needs would not be addressed. Therefore, this was not considered to be the most effective alternative.

3. Add Independent Living Units, Adult Care Home Beds and Adult Care Home Beds in a Special Care Unit – the applicant states that this alternative was not selected due to the statewide moratorium on special care unit licenses and that while it understands exceptions to the moratorium have been granted, there are underutilized special care unit beds in Durham County. Therefore, the applicant chose not to select this alternative at this time.

The applicant states that its proposal to add adult care home beds is needed due to the growth and aging of the Croasdaile Village community, and that planned renovations will improve the quality of life of residents by incorporating “*neighborhood clusters*” and modernizing residents’ rooms. In addition, efficiency of services will be improved and building systems will be modernized to “*greatly extend the life of the Friendship House.*”

Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant adequately demonstrates that its proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

1. **Croasdaile Village, Inc. shall materially comply with all representations made in the certificate of need application and in supplemental information provided. In those instances where representations conflict, Croasdaile Village, Inc. shall materially comply with the last made representation.**
2. **Croasdaile Village, Inc. shall add no more than 34 adult care home beds pursuant to Policy LTC-1.**
3. **The 34 additional adult care home beds shall not participate in the Medicaid program or serve State-County Special Assistance recipients.**
4. **The 34 additional adult care home beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing or adult care unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing**

or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.

- 5. The 34 new adult care home beds shall be developed on the existing site of Croasdaile Village.**
- 6. Croasdaile Village, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and Certificate of Need Section in writing prior to issuance of the certificate of need.**

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

C

In Section VIII.1, page 83, the applicant projects the total capital cost of the project will be \$15,645,000 as shown in the following table:

Construction Costs	\$10,132,100
Site Costs	\$1,317,000
Equipment and Furniture	\$260,000
Consultant Fees*	\$929,637
Other Misc. Project Costs**	\$3,006,263
Total Capital Cost	\$15,645,000

*Includes architect and engineering fees, legal fees, and market analysis

**Includes financing costs

Exhibit 21 contains a copy of a document, dated June 11, 2015, signed and certified by a licensed professional from the firm, SFCS, Inc., that outlines the proposed costs for the project, including construction and architect and engineering fees.

In Section IX, pages 88, the applicant states that there will be no start-up or initial operating expenses for the proposed project.

The applicant states, in Section VIII.2, page 84, that the proposed project will be financed through a commercial loan. Exhibit 18 contains a letter from the Managing Director of Senior Living Finance for Ziegler, which states,

“I am writing to confirm our recent discussions about capital financing for the renovations, construction, equipment and furniture related to the capital costs for the proposed renovations and expansion at the Croasdaile Village campus of The United Methodist Retirement Homes, Incorporated.

...

We are familiar with the financial status of The United Methodist Retirement Homes, Incorporated. We have reviewed the financial position of the organizations and are prepared to work with to [sic] Croasdaile Village to obtain financing in the amount of \$15,645,000.00.

Based on our discussions and review of your request for financing, Ziegler believes Croasdaile Village will be able to obtain financing with the attributes briefly described...

...

This letter is an expression of our strong interest in working with The United Methodist Retirement Homes, Incorporated and providing this financing...”

Exhibit 2 contains the audited financial statements for The United Methodist Retirement Homes, Incorporated, its Affiliate, and Subsidiary for the years ending September 30, 2013 and 2012. As of September 30, 2013, the applicant reported cash in the amount of \$2,368,104 and net assets of \$30,521,468 (total assets less total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

In the pro formas for Croasdaile Village’s licensed NF and ACH beds combined, the applicant projects that revenues will exceed operating costs in the first and second full federal fiscal years of operation following project completion, as illustrated in the table below:

Croasdaile Village

Adult Care Home Beds	Year 1 (10/01/18 – 9/30/19)	Year 2 (10/01/19 – 9/30/20)
Projected # of Patient Days	19,856	21,024
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)	\$271.29	\$282.00
Gross Patient Revenue	\$5,386,738	\$5,928,768
Deductions from Gross Patient Revenue	\$733,681	\$889,854
Other Revenue	\$37,209	\$40,973
Total Net Revenue	\$4,690,266	\$5,079,887
Total Expenses	\$4,639,036	\$4,816,866
Net Income	\$51,230	\$263,021
Total Licensed Beds (NF and ACH)		
Projected # of Patient Days	54,787	55,955
Gross Patient Revenue	\$20,767,920	\$22,550,890
Deductions from Gross Patient Revenue	\$5,111,852	\$6,283,743
Other Revenue	\$915,209	\$1,038,300
Total Net Revenue	\$16,571,277	\$17,305,447
Total Expenses	\$16,118,133	\$16,542,529
Net Income	\$453,144	\$762,918

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section X, pages 96-104 and the pro formas for the assumptions regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and 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

On page 217, the 2015 SMFP defines the service area for ACH beds as “*the adult care home bed planning area in which the bed is located.*” The planning area is the county with the exception of Hyde and Tyrell Counties which are a combined service area. Thus, the service area for this facility consists of Durham County. Facilities may also serve residents of counties not included in their service area.

The applicant proposes to renovate and expand its facility to add 34 ACH beds, for a total of 64 ACH beds and a facility total of 174 licensed beds (110 NF beds and 64 ACH beds) at project

completion. In Section III, page 45, the applicant states that the 34 additional ACH beds will be available exclusively to persons with continuing care contracts with Croasdaile Village, pursuant to Policy LTC-1. Furthermore, the applicant adequately demonstrates the need the population to be served has for 34 additional ACH beds. The discussion regarding the need for the proposed beds found in Criterion (3) is incorporated herein by reference. Consequently, the applicant adequately demonstrates that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities. Therefore, the application is conforming to 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

In supplemental information, the applicant proposes to provide Registered Nurse (RN), Licensed Practical Nurse (LPN), and Aide coverage for the ACH beds 24 hours per day, 7 days per week. The applicant provides the projected number of direct care staff per shift for the second project year in supplemental information, in the following table:

**Croasdaile Village ACH Unit
Direct Care Staff per Shift
Project Year 2, 10/01/2019 – 9/30/2020**

	RNs	LPNs	Aides	Total
Day Shift	0.45	1.00	8.00	9.45
Evening Shift	0.35	0.70	6.00	7.05
Night Shift	0.40	0.70	5.90	7.00
Totals for each Day	1.20	2.40	19.90	23.50

The applicant states, in Section VII, page 75, that the RN and LPN staff positions identified in the above table are multiplied by 1.4 and the Aide staff positions are multiplied by 1.25 to convert to the total number of FTE positions projected in the second full federal fiscal year of operation. This is illustrated from Section VII.3, page 75, as follows:

**Croasdaile Village
ACH Direct Care Staff Converted
to FTEs
Project Year 2, 10/01/2019 – 9/30/2020**

	FTE Positions
RN	1.65 [1.68]
LPN	3.33 [3.36]
Aides	24.90 [24.88]
Total	29.88 [29.92]

Note: Project Analyst's corrections are in brackets.

Adequate costs for the direct care nursing positions proposed by the applicant in Section VII.3, page 75, are budgeted in the pro forma financial statements. The table below, from Section VII.4, page 80, shows the applicant's proposed direct care nursing staff and total direct care hours per patient day for year two of the project:

**Direct Care Nursing Hours per Patient Day
Project Year Two, 10/01/2019 – 9/30/2020**

	RNs	LPNs	Aides	Total
Adult Care Home				
FTEs	1.65	3.33	24.90	29.88
Number of nursing hours per year per FTE	2,080	2,080	2,080	6,240
Total nursing hours per year	3,432	6,926	51,792	62,150
Number of patient days per year	21,024	21,024	21,024	21,024
Nursing hours per patient day	0.16	0.33	2.46	2.95 [2.96]

Note: Project Analyst's correction is in brackets.

The applicant states, in Section V.3, page 62, that its current Medical Director is Dr. Heidi White. Exhibit 7 contains a letter signed by Dr. White, indicating her support for the proposed project and her willingness to continue to serve as Medical Director of Croasdaile Village. In addition, Exhibit 7 contains a copy of an agreement between the facility and Duke University and the Private Diagnostic Clinic, PLLC, a private multi-specialty physician group medical practice comprised of Duke University faculty physicians, to provide on-site clinical physician services. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. 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

In Section II.2, pages 15-18, and Section II.4, page 24, the applicant lists the ancillary and support services provided, and indicates the proposed providers for each. Exhibits 7-13, and 17 provide documentation of contracted ancillary and support services for Croasdaile Village residents, including therapy, pharmacy, laboratory, and others. In Section II.4, page 25, the applicant states that the current contractual and consultant services provided to residents have the capability to provide needed services. In Section V.2, page 62, the applicant states that Croasdaile Village has a transfer agreement with Duke University Medical Center. A copy of the transfer agreement is provided in Exhibit 16. In Sections III.3 and III.4, pages 62-63, the applicant states that as an existing provider, it has many relationships with health care providers in the community, including dental, mental health, and therapy services. In addition, on page 63, the applicant states that it *“has social workers and transportation staff available to assist with coordination of care and accessibility.”* Exhibits 7, 10, 12, 13, 15, and 17 contain letters of support from several of these providers. The applicant adequately demonstrates that it will provide or make arrangements for the necessary ancillary and support services, and that the proposed services will be coordinated with the existing health care system. 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

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates:
- (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and

NA

- (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner, which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner, which is administratively feasible to the HMO.

NA

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

In Section XI, page 110, the applicant proposes to renovate 11,919 square feet of the facility's total 72,045 square feet on the existing campus. In addition, a new addition will be constructed which will be 46,130 square feet. Exhibit 21 contains a signed document from the firm, SFCS, Inc., which certifies construction costs. The construction costs of \$10,132,100 are consistent with the capital cost projections provided in Section VIII.1, page 83, of the application.

In Section XI.14, pages 115-116, the applicant describes its plans for energy efficiency and sustainability and states,

“Croasdaile Village will develop and implement an Energy Efficiency and Sustainability Plan for the facility’s renovations and expansion project that conforms to or exceeds the energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The Plan shall not adversely affect patient or resident health, safety or infection control.

...

...plans and specifications for the project shall be researched and developed by the project architect, with input from facility engineering and administration, to include specific design features to ensure improved energy efficiency and water conservation.”

The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative and that the construction costs will not unduly increase the costs and charges of providing nursing facility or adult care home services. The discussion regarding costs

and charges found in Criterion (5) is incorporated herein by reference. 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

The 2015 SMFP Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Nursing Home and Adult Care Home Beds requires the applicant to exclusively meet the needs of people with whom the facility has continuing care contracts and who have lived at Croasdaile Village for at least 30 days. The policy also prohibits participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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

The 2015 SMFP Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to exclusively meet the needs of people with whom the facility has continuing care contracts and who have lived at Croasdaile Village for at least 30 days. The policy also prohibits participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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

NA

The 2015 SMFP Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to exclusively meet the needs of people with whom the facility has continuing care contracts and who have lived at Croasdaile Village for at least 30 days. The policy also prohibits participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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.

NA

The 2015 SMFP Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to exclusively meet the needs of people with whom the facility has continuing care contracts and who have lived at Croasdaile Village for at least 30 days. The policy also prohibits participation in the Medicaid program and serving State-County Special Assistance recipients.

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

C

The applicant states, in Section V.1, page 62, that Croasdaile Village has agreements with three educational institutions, namely Duke University, University of North Carolina at Chapel Hill, and Vance-Granville Community College, to serve the clinical training needs of students enrolled in nursing and allied health programs. Exhibit 24 contains copies of these agreements. The applicant demonstrates that the proposed health services will accommodate the clinical needs of health professional training programs in the service area. Therefore, the application is conforming to this criterion.

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

demonstrate that its application is for a service on which competition will not have a favorable impact.

NA

The 2015 SMFP Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds requires the applicant to exclusively meet the needs of people with whom the facility has continuing care contracts and whom have lived at Croasdaile Village for at least 30 days. The policy also prohibits participation in the Medicaid program and serving State-County Special Assistance recipients.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

In Section I.12, the applicant states that it owns two other facilities in North Carolina. According to the files in the Adult Care Licensure Section, DHSR, no incidents occurred during the 18 months immediately preceding the submittal of the application through the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on any facility owned and/or operated by The United Methodist Retirement Homes, Inc. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section, and considering the quality of care provided at all three facilities, the applicant provided sufficient evidence that quality care has been provided in the past and adequately demonstrated that there is no pattern of substandard quality of care. 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

The proposal is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100, as indicated below.

SECTION .1100 - CRITERIA AND STANDARDS FOR NURSING FACILITY SERVICES or ADULT CARE HOME SERVICES

10A NCAC 14C .1101 INFORMATION REQUIRED OF APPLICANT

- .1101(a) *An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*
- C- Croasdaile Village projects occupancy levels for the first eight calendar quarters following project completion in Section IV.2, pages 57-58, and provides assumptions and methodologies for projecting occupancies in Section III.1, pages 38-39.
- .1101(b) *An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*
- C- The applicant projects patient origin by county of residence and provides the assumptions and methodologies used to make the projections in Section III.9, page 52, of the application.
- .1101(c) *An applicant proposing to establish new nursing facility or adult care home beds shall show that at least 85 percent of the anticipated patient population in the entire facility lives within a 45 mile radius of the facility, with the exception that this standard shall be waived for applicants proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, facilities that are fraternal or religious facilities, or facilities that are part of licensed continuing care facilities which make services available to large or geographically diverse populations.*
- C- The applicant states in Section III.11, page 53, “*All nursing facility residents and assisted living residents have established residency agreements at Croasdaile Village. Therefore all admissions are within the community and within the 45 minute driving time.*”

- .1101(d) *An applicant proposing to establish a new nursing facility or adult care home shall specify the site on which the facility will be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify at least one alternate site on which the services could be operated should acquisition efforts relative to the proposed site ultimately fail, and shall demonstrate that the proposed and alternate sites are available for acquisition.*
- NA- The applicant does not propose to establish a new nursing facility or adult care home.
- .1101(e) *An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.*
- NA- The applicant does not propose to establish a new nursing facility or adult care home.
- .1101(f) *An applicant proposing to establish new nursing facility or adult care home beds shall provide documentation to demonstrate that the physical plant will conform with all requirements as stated in 10A NCAC 13D or 10A NCAC 13F, whichever is applicable.*
- C- The applicant states in Section II, page 12, and confirms in a letter signed by an architect in Exhibit 4, that the proposed facility will conform with all requirements as stated in both 10A NCAC 13D and 10A NCAC 13F.

10A NCAC 14C .1102 PERFORMANCE STANDARDS

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

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

-NA- The applicant does not propose to add nursing facility beds.

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

-C- In Section IV, page 54, the applicant demonstrates that the average occupancy of its adult care home beds from August 1, 2014 through April 30, 2015 was 96.4%.

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

-C- In Section IV, pages 57-58, the applicant projects that the average occupancy of its adult care home beds at the end of federal fiscal years one and two following completion of the proposed project, will be 85% and 90%, respectively. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.