

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: August 31, 2016

Findings Date: August 31, 2016

Project Analyst: Bernetta Thorne-Williams

Team Leader: Fatimah Wilson

Project ID #: J-11058-16

Facility: Waltonwood Silverton

FID #: 160148

County: Wake

Applicant: Waltonwood Silverton, LLC

Project: Relocate 65 adult care home beds from Lee's Long Term Care Facility and nine adult care home beds from Waltonwood Cary Parkway to a new 74-bed facility, to include a 24-bed special memory care unit

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Agency 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.

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Need Determination

The applicant for the proposed project is Waltonwood Silverton, LLC (Waltonwood). The applicant proposes to acquire, replace and relocate 65 adult care home (ACH) beds from Lee's Long Term Care Facility, located at 7133 Rock Service Station Road in Raleigh and nine ACH beds from Waltonwood Cary Parkway (Waltonwood Cary), located at 750 SE Cary Parkway in Cary, to a new site on Evans Road and Cary Parkway in Cary. All sites are located in Wake County. The replacement facility will include a 24-bed special memory care unit (SCU).

Waltonwood proposes to house the 74 bed ACH on a 19.23 acre senior living community that will include 68 assisted living units and 162 independent living units. The 65 existing ACH beds at Lee's Long Term Care Facility and the nine beds at Waltonwood Cary are listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2016 State Medical Facilities Plan (SMFP). The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2016 SMFP.

Policies

The following two policies are applicable to this review:

- Policy LTC-2: Relocation of Adult Care Home Beds
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

Policy LTC-2: Relocation of Adult Care Home Beds states:

“Relocations of existing licensed adult care home beds are allowed only within the host county and to contiguous counties. Certificate of need applicants proposing to relocate licensed adult care home beds to contiguous counties shall:

- 1. Demonstrate that the facility losing beds or moving to a contiguous county is currently serving residents of that contiguous county; and*
- 2. Demonstrate that the proposal shall not result in a deficit, or increase and existing deficit in the number of licensed adult care home beds in the county that would be losing adult care home beds as a result of the proposed project, as reflected in the North Carolina State Facilities Plan in effect at the time the certificate of need review begins; and*
- 3. Demonstrate that the proposal shall not result in a surplus, or increase an existing surplus of licensed adult care home beds in the county that would gain adult care home beds as a result of the proposed project, as reflected in the North Carolina State Facilities Plan in effect at the time the certificate of need review begins.”*

Both the existing and proposed facility will be located in Wake County. The application is consistent with Policy LTC-2.

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

The proposed capital expenditure is greater than \$5 million. In Section III.4, page 98, the applicant states the proposed project will conform to or exceed the latest energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. In Section XI, page 172 the applicant states:

"The facility and its equipment will be designed and constructed with energy-sensitive, state-of-the-art architecture and engineering. ... The applicant will use the most energy-efficient equipment and material that are economically feasible given the proposed project's capital budget."

See Exhibit 26 for a letter from Singh Development, L.L.C dated April 5, 2016 which outlines the plan for the proposed project to assure improved energy efficiency and water conservation.

The applicant adequately demonstrates the proposal includes a plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4, subject to Condition #4 in Criterion (4).

Conclusion

In summary, the applicant adequately demonstrates that its proposal is consistent with Policy LTC-2: Relocation of Adult Care Home Beds and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities. Therefore, the application is conforming to this criterion, subject to Condition #4 in Criterion (4).

- (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.

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The applicant purposes to acquire, replace and relocate 65 licensed ACH beds from Lee's Long Term Care Facility and nine ACH beds from Waltonwood Cary to Waltonwood Silverton, to be located in Cary. The 74 relocated ACH beds will be located in a senior living community which has a scheduled completion date of January 2021. The 65 existing ACH beds at Lee's Long Term Care Facility and the nine ACH beds located at Waltonwood Cary are listed in the inventory of ACH beds in Chapter 11, Table 11A, page 247, of the 2016 SMFP.

In Section III.1, pages 70-89, the applicant discusses the need to replace, acquire and relocate 65 ACH beds from Lee's Long Term Care Facility in Wake County to the proposed Waltonwood Silverton ACH facility. The applicant states that although there is no need identified in the 2016 SMFP, it is important *"to sustain an accessible supply of adult care beds as the Wake County older population continues to expand"*. Therefore, the applicant states that it is critical to replace ACH beds that are associated with old, outdated facilities. The applicant states that the current owners will continue to serve current residents until a certificate of need (CON) is issued to the applicant. Lee's Long Term Care Facility has agreed to vacate residents through attrition and coordination with other providers of ACH services. See Exhibit 7 for a letter from the current owner of Lee's Long Term Care Facility confirming they have entered into an agreement to terminate all rights to the 65 ACH beds once the applicant has been issued a certificate of need. Also, see Exhibit 6 for a copy of the asset purchase agreement between Lee's Long Term Care Facility and Singh Development NC, LLC. The facility will be managed by Singh Senior Living, LLC.

In Section I.7, page 8, concerning the nine beds to be relocated from Waltonwood Cary, the applicant states, *"Nine of the 74 beds are grandfathered and therefore not subject to the certificate of need review."* However, the nine beds at Waltonwood Cary are licensed thus relocation of the beds is subject to CON review. In supplemental information, the applicant discusses the need to relocate the nine ACH beds from Waltonwood Cary.

In supplemental information the applicant states:

"Waltonwood Cary Parkway has 37 beds in relatively small double occupancy rooms. Small double occupancy rooms are not attractive in today's environment where infection control and privacy are important to residents. As of this date, all but one of Waltonwood Cary Parkway's double occupancy beds are vacant. Waltonwood Cary Parkway has no waiting list for these beds. They appeal only to the small market of couples. ...

The alternative of enlarging the Waltonwood Cary Parkway facility to include larger double occupancy or more private rooms proved infeasible. The site, 750 SE Cary

Parkway in Cary, is physically tight; the back has a steep grade; existing facilities occupy all usable space on the front and sides. The only space for an additional wing is occupied by the site's primary storm water retention pond. The "Wet Pond" is a required part of the site's water conservation plan and the site has no other suitable land that meets the storm water retention requirements. An underground storm water retention system would be cost prohibitive. See Attachment A for a copy of Waltonwood Cary Parkway's site plan. Constructing an additional level on the adult care building is not a realistic alternative, either. The structure cannot support the added load.

The proposed design Waltonwood Silverton ... would easily accommodate the remaining nine beds. An average of seven residents leaves Waltonwood Cary Parkway each year. By 2021, the owner expects the remaining nine double occupancy beds to be vacant. Moving the remaining nine beds to Waltonwood Silverton, a facility that has much larger double occupancy units, will offer what residents need in privacy and what the facility needs in infection control. The two facilities are only 7.6 miles apart. Thus, the impact on patient access will be minimal and the beds can once again respond to unmet need in Wake County."

Based on the size of the existing rooms at Waltonwood Cary Parkway, the owners of the facility are seeking to relocate 28 of its 37 ACH beds to a new facility (see Project I.D. # J-11217-16). The remaining 9 ACH beds, the applicant proposes to relocation to Waltonwood Silverton which is roughly 7.6 miles for Waltonwood Care Parkway.

Population to be Served

On page 223, the 2016 SMFP defines the service area for adult care home beds as the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

In Section III.7, page 101, the applicant provides the projected patient origin for the ACH beds at Waltonwood Silverton for the first full federal fiscal year of operation, as shown below in the table.

Waltonwood Silverton ACH FFY 2021 Projected Patient Origin	
COUNTY	% OF ACH ADMISSIONS
Wake	95.0%
*Durham, Lee, Chatham Harnett, Nash and Franklin	5.0%
Total	100.0%
*Counties adjacent to Wake County	

On pages 101-102, the applicant states:

“Adult Care facilities without nursing beds do not report patient origin on NC License Renewal Applications. Therefore, limited available data on adult care patient origin was available to the applicants [sic]. The applicants projected patient origin using two primary sources, patient origin data reported by nursing homes with adult care beds on 2016 License Renewal Applications and the applicant’s internal data and experience with Waltonwood Cary Parkway.

See Exhibit 29 for a summary of patient origin for adult care residents in Wake County licensed nursing homes. The vast majority of these residents are from Wake County. Of the eleven nursing homes that reported this data, the median percent origin of Wake was 86 percent. ... Most of the non-Wake County residents in these facilities are from neighboring counties.

...

Based on this information, it is reasonable to expect that 95 percent of residents will come from Wake County, while the other 5 percent will come from, nearby counties, though difficult to predict specifically which counties.”

The applicant adequately identifies the population to be served.

Analysis of Need

The following points summarize the applicant’s discussion concerning the need for adult care home beds in Wake County:

- Projected deficit of ACH beds in 2021: The 2016 SMFP projects a surplus of 256 ACH beds in Wake County by 2019. However, the applicant projects a deficit of 458 beds in 2021 (first project year of operation) which increases to a deficit of 805 beds in 2023 (the third project year of operation). The applicant states that its methodology is based on assumptions that facilities have limitations on admissions. The applicant discusses its assumptions for a projected deficit on page 70, as follows:

“The methodology in Chapter 11 of the 2016 State Medical Facilities Plan (SMFP), calculates a surplus of licensed Adult Care beds in Wake County in 2019. However, the methodology assumes that all Wake County beds are actually available, that all beds and need for them are identical, and that need does not exist until all beds are full. These assumptions have practical flaws.”

On pages 71-72, the applicant further discusses in detail the reason for its assumptions concerning the methodology in the 2016 SMFP.

- Growth and aging of the population: The applicant states that one of the largest and fastest growing counties in North Carolina is Wake County. The applicant states in a table on page 73 that the Wake County 65+ population is projected to grow at a compound annual growth rate (CAGR) of 5.65% between 2015-2020 as compared to

3.37% for the state. The ACH use rate per 1,000 population is higher for the elderly than other age groups. (See page 73).

- Higher quality adult care services needed: The applicant compares star ratings for four select counties (Wake, Forsyth, Guilford and Mecklenburg) on page 74. The highest quality rating by the Division of Health Service Regulation (DHSR) is four stars. Of the ACHs in those counties, only 45.9% had four stars, while 10.8% had two stars or less. Those four counties combined have a total of 619 ACHs.
- Need to preserve the beds at Lee's Long Term Care Facility when it closes: The applicant's methodology indicates a deficit in ACHs in Wake County; therefore the applicant sees a need to preserve the 65 beds from the Lee's Long Term Care Facility to prevent any further increase in the deficit of ACH beds in the county. (See page 75).
- Need to relocate adult care beds for better accessibility: On page 78, the applicant presents Wake County population data by township. The second most densely populated area of the county is Cary where the applicant proposes to locate the Waltonwood Silverton ACH facility. (Source: Neilson Claritas)
- Age of adult care homes in the county: The applicant states that 22 years is the average age of ACHs in Wake County (Source: NC DHHS, Office of the Controller, ACH Cost Reports). Exhibit 21 contains a list of Wake County ACHs by age and ranges in age from two years old to 53 years old. Lee's Long Term Care Facility was built in 1972, making the 44 year old facility one of the oldest ACHs in Wake County. Its age supports the need to relocate beds to the new facility. (See page 79).
- Available beds vs. licensed beds and the true availability of beds: The applicant discusses unused capacity in double occupancy rooms. On page 79, the applicant states, "*Today, few people want to share adult care rooms and adult care homes find it increasingly difficult to fill double occupancy rooms.*" After consulting the Wake County Division of Social Services, Senior and Adult Care Services website, the applicant further states on page 79, that, "*Oftentimes, the number of available beds is lower than the number of licensed beds.*"
- Need for more private ACH beds: The applicant states that while it is important to have ACH double occupancy to accommodate couples, some residents may not be willing or able to accommodate double occupancy. The applicant proposes to provide 62 single occupancy rooms and 12 double occupancy rooms to meet the need for more private rooms. (See page 80).
- Need to serve a greater Medicaid population: The applicant states that the Wake County Department of Social Services (DSS) often has difficulty placing Medicaid patients. In Section IV.1, page 103, the applicant discusses the Medicaid population at Lee's Long Term Care Facility. The applicant states, "*Of the occupied beds, 33, or*

76.7 percent were on State/County Assistance (SA).” In Section VI.1, page 121, the applicant projects that for the second full federal fiscal year (2022), 21.6 percent of Waltonwood’s Memory Care Unit residents will receive Medicaid. (See page 81).

In Section III.1(b), pages 81-86, the applicant discusses its seven-step methodology and assumptions used to project the need for the proposal, stated below:

Step 1: Determine projected Wake County population - all age groups in Wake County are projected to increase from 2016 to 2023. The annual percent growth rates for ages: 65-74 = 4.83%; 75-84 = 7.18% and 85+ years up = 4.59%.

Step 2: Determine 2015 State Medical Facilities Plan Adult Care Home Five Year Average Use Rates - which increase with age: 5.71 = 65-74 years; 19.90 = 75-84 years and 77.33 = 85 years up.

Step 3: Calculate adult care bed need for Wake County - divide age group specific population for years 2016-2023 from Step 1 by 1000 and multiply the use rates in Step 2. The applicant projects 3,525 ACH beds will be needed in 2023 up from 2,579 beds in 2016. This is a projected need increase of 946 ACH beds.

Step 4: Adjust the bed need for an occupancy factor of 90% - divide age specific needs from Step 3 by 90%. The bed need changes from 3,525 to 3,916 beds needed in 2023; which is approximately a 2.6% increase. Note: the methodology in the 2016 SMFP uses an 85% use rate, not 90%.

Step 5: Determine the number of beds to discount – subtract the licensed unavailable inventory. Ninety-two beds fit this category. See pages 84-85 for detailed data that further explains how the applicant reached this conclusion.

Step 6: Determine the adjusted Wake County Adult Care bed inventory - subtract the adjustments to the inventory from Step 5 from the total county ACH bed inventory as reported in the 2016 SMFP.

Step 7: Calculate the surplus or deficit of adult care beds in Wake County for 2016 through 2023 - subtract the projected bed need for each respective year in Step 4, from the total ACH bed inventory in Step 6 to derive the deficit of 25 beds in 2018 which the applicant projects will increase to 805 beds by 2023. The deficit assumes the 65 Lee’s Long Term Care Facility beds are available.

The applicant adequately demonstrates the need to relocate the 65 ACH beds from Lee’s Long Term Care Facility and nine beds from Waltonwood Cary to a new 74 bed facility designed and equipped to serve the aging population of Wake County, based on the discussions above.

Special Care Unit (SCU)

In Section II.3 (a-c), pages 54-55, the applicant describes the services for the proposed 24 bed SCU as follows:

- Residents will have access to staffing (higher staffing ratios) and services tailored to the needs of memory impaired persons in the Alzheimer's SCU, including dementia management;
- Individual assessment and care planning;
- Nutritional needs to include well-balanced meals and healthy snacks;
- Behavioral intervention;
- Care planning and care giving partnership between family and staff;
- Therapeutic activities;
- Safety measures including separate physical environment (self-contained) that addresses dementia dangers;
- Alignment with the standards of the Alzheimer's Association;
- Multi-sensory experiences, daily exercise, outings, group activities, and regularly scheduled visits with children;
- Hydration programs encouraging water and juices six times daily; and
- Volunteer program

Need for memory care beds: On page 76, the applicant provides a table which shows that from 2013 to 2015, Wake County adult care residents with Alzheimer's increased from 1,086 residents (51.18%) to 1,261 residents (55.9%), a 7.76% CAGR over the two year period (Source: 2014, 2015 and 2016 License Renewal Applications). The applicant also states that only 32.17% of ACH beds are reserved for memory care based on the current inventory of ACH beds. Furthermore, Lee's Long Term Care facility does not currently offer a SCU. (See page 76).

The applicant states the proposed SCU will be designed and operated in compliance with licensure requirements and design features. See Exhibit 14 for the SCU disclosure statement. The applicant adequately demonstrates the need for a 24 bed Alzheimer's SCU.

Projected Utilization

In Section IV.1(c), page 105, the applicant provides the assumptions and methodology for projecting utilization of the 74 ACH beds for the first three full federal fiscal years (FFYs). Below is a summary of the applicant's assumptions and methodology.

- More ACH beds are needed in Wake County due to high occupancy rates in existing ACHs.
- The proposed location of Waltonwood Silverton will provide easy access for Wake County Residents.

- Waltonwood has a strong reputation for quality senior care.
- The applicant filled the Waltonwood Cary facility to target occupancy within nine months, and thinks it is reasonable to project a similar fill rate for Waltonwood Silverton. The projected facility fill rate is four residents per month toward target occupancy of 92% in 17 months.
- Target occupancy is less than 100% to allow for a consistent occupancy level. The applicant states its experience in operating other facilities as the basis for this assumption.
- Projected ACH bed need for 2018-2023 supports targeted occupancy beyond the third operating year.
- After May 1, 2022, the applicant projects 22% of its residents will be Medicaid beneficiaries.
- Waltonwood Silverton projects to reach its target occupancy of 92% by July 2022 (which is the second year of operations). By OY 2, the applicant projects to serve approximately 22% Medicaid beneficiaries.
- The applicant projects two Medicaid residents and two private pay residents per month beginning in July 2021.

In Section II.3(b), page 61, the applicant describes the proposed ACH beds, as illustrated below:

WALTONWOOD SILVERTON PROPOSED BEDS			
	Traditional ACH	SCU	Total
Private Beds	38	24	62
Semi-private Beds	12	0	12
Total Beds	50	24	74

In Section IV, pages 107-109, the applicant provides projected utilization, as illustrated below in the table:

WALTONWOOD SILVERTON PROJECTED UTILIZATION			
	1ST FULL FFY (1/1-12/31/2021)	2ND FULL FFY (1/1-12/31/2022)	3RD FULL FFY (1/1-12/31/2023)
Adult Care Home Beds (excluding special care unit)			
Patient Days	5,192	14,860	16,060
Occupancy Rate	28%	81%	88%
Number of Beds	50	50	50
Special Care Unit (Memory Care)			
Patient Days	4,336	8,760	6,570
Occupancy Rate	49%	100%	100%
Number of Beds	24	24	24
Total Adult Care Home Beds			
Patient Days	9,528	23,620	24,820
Occupancy Rate	35.0%	87.0%	92%
Number of Beds	74	74	74

As shown in the table above, in the second FFY of operation, Waltonwood projects the 74 ACH beds will operate at 87% of capacity [(23,620 days / 365 days per year) / 74 beds = 0.874 or 87.4%]. Projected utilization is based on reasonable and adequately supported assumptions.

Access

In Section IV.1, page 103, in reference to Lee’s Long Term Care Facility the applicant states, “Of the occupied beds, 33, or 76.7 percent were on State/County Assistance (SA).”

On page 121, the applicant projects the following payor mix for the second full federal fiscal (2022) for the ACH beds:

WALTONWOOD SILVERTON Projected ACH Payor Mix January 1- December 31, 2022		
PAYOR SOURCE	ACH (EXCLUDING SPECIAL CARE)	SPECIAL CARE UNIT
Private Pay	62.9%	15.5%
Special Assistance with Basic Medicaid	0.0%	21.6%
Special Assistance with Enhanced Medicaid	0.0%	0.0%
Total	62.9%	37.1%
Total Facility		100.0%

Although Waltonwood Silverton will be a new facility and has no historical payor mix, the applicant states in the proforma assumptions that average monthly service income per private pay ACH resident and SCU resident is based on Waltonwood’s historical experience. The

applicant states in Section I.12(a), page 14, other Waltonwood facilities in North Carolina (Waltonwood Providence, Waltonwood Cary Parkway, Waltonwood Cotswold, and the currently under construction Waltonwood Lake Boone II) have the same owners who also own Singh Development, LLC. Singh Development, LLC develops and manages all Waltonwood facilities.

The applicant reports in supplemental information that its projected payor mix for the proposed Waltonwood Silverton facility is based on historical payor mix in ACH facilities in Wake County.

The applicant adequately demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need to acquire, replace and relocate the 74 existing ACH beds within Wake County, and adequately demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed ACH services following relocation of the beds to a new facility. 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.

C

The applicant purposes to acquire, replace and relocate 65 licensed ACH beds from Lee's Long Term Care Facility, located at 7133 Rock Service Station Road in Raleigh and nine licensed ACH beds from Waltonwood Cary, located at 750 SE Cary Parkway in Cary, to a new site at Evans Road and Cary Parkway. All sites are located in Wake County. According to Google Maps, the proposed site is located less than 31 miles from Lee's Long Term Care Facility and 9.8 miles from Waltonwood Cary. Additionally, in supplemental information the applicant states the nine ACH beds at Waltonwood Cary are approximately 7.6 miles away from the proposed Waltonwood Silverton facility. Therefore, the 74 beds would be geographically accessible to the same population previously served.

In Section IV.1, page 103, the applicant states, "*Lee's Long Term Care Facility intends to relinquish its rights to provide assisted living services.*" The facility was built in 1972 and is proposing to close for several reasons that include the age of the facility (44 years old) which requires physical infrastructure upgrades. On page 99, the applicant states, "*Lee's Long Term*

Care Facility's owners will follow procedures for Discharge of Residents identified in the licensure regulations 10A NCAC 13F.0702, which include 30-day resident notice of intent to cease offering adult care home services."

In supplemental information the applicant states:

"Waltonwood Cary Parkway has 37 beds in relatively small double occupancy rooms. Small double occupancy rooms are not attractive in today's environment where infection control and privacy are important to residents. As of this date, all but one of Waltonwood Cary Parkway's double occupancy beds are vacant. Waltonwood Cary Parkway has no waiting list for these beds. They appeal only to the small market of couples. ...

The site, 750 SE Cary Parkway in Cary, is physically tight; the back has a steep grade; existing facilities occupy all usable space on the front and sides. The only space for an additional wing is occupied by the site's primary storm water retention pond. The "Wet Pond" is a required part of the site's water conservation plan and the site has no other suitable land that meets the storm water retention requirements. An underground storm water retention system would be cost prohibitive. See Attachment A for a copy of Waltonwood Cary Parkway's site plan. Constructing an additional level on the adult care building is not a realistic alternative, either. The structure cannot support the added load. The proposed design Waltonwood Silverton ... would easily accommodate the remaining nine beds. An average of seven residents leaves Waltonwood Cary Parkway each year."

Additionally on page 99, the applicant states the nine beds at Waltonwood Care are currently vacant, thus no residents will be displaced by the relocation of those beds.

The applicant demonstrates that that the needs of the population presently served will be adequately met and that the proposal will not adversely affect the ability of underserved groups to obtain needed health care. Therefore, the application is conforming to this criterion.

- (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.

CA

In Section III.2(a), pages 90-91, the applicant discusses the alternatives considered for meeting the needs for the proposed project. The five alternatives the applicant considered are summarized as follows:

- 1) Maintain the status quo - Lee's Long Term Care Facility is an aging facility with an occupancy rate that is declining. The facility would require substantial capital to correct facility issues, therefore the owners have opted to cease operations. This option is not considered the most effective alternative.

- 2) Renovate the existing facility - The applicant dismissed this alternative because Lee's Long Term Care Facility is located in a rural area that is remote from most of the growth associated with the adult care bed need in Wake County. Additionally, to bring the facility to code would require replacement, not renovations. Therefore, this option is not considered the most effective alternative.
- 3) Select a different site - After analyses of various available properties, the applicant decided that the Evans' Road property offers accessibility to commercial shopping areas and health services (less than four miles from Rex Hospital, less than eight miles from WakeMed Cary and in close proximity to primary and specialty care clinics). Residents of adult care facilities are prime users of physicians and associated health care services. The applicant deemed this alternative as the most effective as it is proposed to meet county needs for ACH and memory care beds and provide these services in a new and modern facility.
- 4) Develop fewer than 74 ACH beds - the applicant dismissed this alternative because fewer than 74 beds or dividing the beds among multiple locations would increase the cost per bed. Delicensing or moving beds from Wake County would limit the availability of ACH beds for Wake County residents.
- 5) Use a different service mix - the applicant selected a mix of ACH and special memory care beds because it meets advocates request for services in Wake County and it promotes accessibility for all area residents, regardless of income. The applicant will make services available for residents that need Medicaid and/or state/county financial assistance.

Furthermore, the application is conforming to all applicable statutory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

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

1. **Waltonwood Silverton, LLC shall materially comply with all representations made in the certificate of need application and with all representation made in supplemental information received on August 26, 2016. In those instances where representations conflict, Waltonwood Silverton, LLC shall materially comply with the last made representation.**
2. **Waltonwood Silverton, LLC shall relocate no more than 65 ACH beds from Lee's Long Term Care Facility and no more than nine beds from Waltonwood Cary to its proposed Waltonwood Silverton facility, for a facility total of no more than 74 ACH beds which may include a 24 bed memory care unit.**

3. **Waltonwood Cary Parkway shall be licensed for no more than 74 ACH beds following the relocation of nine ACH beds from Waltonwood Cary Parkway to Waltonwood Silverton.**
 4. **Waltonwood Silverton, LLC shall 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.**
 5. **For the first two years of operation following completion of the project, Waltonwood Silverton, 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 Agency that the proposed increase is in material compliance with the representations in the certificate of need application.**
 6. **Waltonwood Silverton, LLC shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI. 2.**
 7. **Waltonwood Silverton, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency 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

The applicant proposes to acquire, replace and relocate 65 adult care home (ACH) beds from Lee's Long Term Care Facility and nine adult care beds from Waltonwood Cary Parkway to a new facility on Evans Road and Cary Parkway in Cary. All sites are located in Wake County.

Capital and Working Capital Costs

In Section VIII.1, page 141, the applicant projects the total capital costs for the proposal will be \$11,365,194, which includes:

Site Costs	\$802,471
Construction / Renovation Costs	\$8,206,307
Miscellaneous Costs	\$2,356,416
Total	\$11,365,194

In Section VIII.2, page 142, the applicant states that the capital costs of the project will be financed via a commercial loan. In Section IX.1, page 146, the applicant states that the estimated period of time for start-up is two months, and start-up expenses will be \$534,242. In Section IX.3, page 147, the applicant states that the total working capital needed is \$2,687,897 which includes start-up expenses of \$2,153,655 for 16 months of initial operating expenses. On page 152, the applicant states that the working capital will be financed by a commercial loan in the amount of \$2,687,897.

Availability of Funds

Exhibit 32 contains a copy of a March 31, 2016 letter from the Vice President of Comerica Bank, which states:

“We understand that Waltonwood Silverton, LLC is applying for a Certificate of Need to relocate 65 adult care beds from an existing facility in Wake County to a newly constructed facility off Cary Parkway and Evans Road in Cary, North Carolina. Waltonwood Silverton, LLC expects that it’s combined fixed and working capital costs for the adult care home project may be up to \$18,000,000.

We welcome the opportunity to assist with financing the site development, construction, fixed and operating costs by underwriting a loan request of up to \$15,000,000, which also includes the required working capital. ... Comerica has provided many construction and mini-perm transactions for similar Singh properties ...”

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs for this project.

Financial Feasibility

In Section X.4, pages 157-158, the applicant projects charges/rates for the first two operating years following completion of the project. The monthly private pay charges/rates for ACH facility beds (excluding the special care unit) is projected to be \$199.47 for both a private room and a semi-private room in each of the first two full federal fiscal years. The monthly charges/rates for the special care unit beds is projected to be \$202.74 for both a private room and a semi-private room in each of the first two full federal fiscal years. The charges/rates are shown in the following table:

WALTONWOOD SILVERTON PROJECTED CHARGES/RATES				
Source of Payment by Type of Care	First Federal Fiscal Year (FFY 2021)		Second Federal Fiscal Year (FFY 2022)	
	Private Room	Semi- Private Room¹	Private Room	Semi-Private Room
ACH (excluding special care unit)				
Private Pay	\$199.47	\$199.47	\$199.47	\$199.47
State/County Assistance ²	\$63.19	\$63.19	\$63.19	\$63.19
Special Care Unit				
Private Pay	\$202.74	\$202.74	\$202.74	\$202.74
State/County Assistance ³	\$74.14	\$74.14	\$74.14	\$74.14
Note: 1. Rates assume single occupant in a semi-private room. Private pay room rates are set by the room. Double occupancy for private pay residents would reduce the daily rate by half. 2. State/County special assistance for adult care includes \$1,228 in monthly county assistance and 50 hours. 3. State/County special assistance for special care includes \$1,561 in monthly assistance and 50 hours of Medicaid Personal Care Services at the current NC rate of \$3.47 per 15 minutes of service. See pro forma assumptions (Tab 13) for more detail.				

Furthermore, in Forms B (Revenue Statement) and C (Expense Statement), the applicant projects that operating expenses will not exceed revenues during the first two full federal fiscal year. However, in operating year three (2023), revenues will exceed operating expenses as shown below in the table.

WALTONWOOD SILVERTON REVENUES & EXPENSES			
	ADULT CARE HOME BEDS	SPECIAL CARE UNIT BEDS	TOTAL ACH
First Full Project Year (FFY 2021)			
Revenues	\$1,295,041	\$930,316	\$2,225,357
Operating Costs	\$2,414,046	\$1,887,415	\$4,301,460
Net Income	\$(1,119,005)	\$(957,099)	\$(2,076,104)
Second Full Project Year (FFY 2022)			
Revenues	\$3,429,533	\$1,393,185	\$4,822,718
Operating Costs	\$3,028,897	\$2,017,463	\$5,046,360
Net Income	\$ 400,636	\$ (624,278)	\$ (223,642)
Third Full Project Year (FFY 2023)			
Revenues	\$3,707,563	\$1,393,776	\$5,101,339
Operating Costs	\$3,086,988	\$1,965,490	\$5,052,478
Net Income	\$620,575	\$ (571,715)	\$48,860

Waltonwood adequately demonstrates that projected revenues and operating costs are based on reasonable and adequately supported assumptions (Pro Formas tab), including projected utilization, 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.

Conclusion

In summary, Waltonwood adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of operating costs and charges. Therefore, the application is conforming to this criterion.

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

C

The applicant proposes to acquire, replace and relocate 65 adult care home (ACH) beds from Lee's Long Term Care Facility and nine adult care beds from Waltonwood Cary Parkway to a new facility on Evans Road and Cary Parkway in Cary. All sites are located in Wake County. The 65 existing ACH beds at Lee's Long Term Care Facility and the nine ACH beds located at Waltonwood Cary are listed in the inventory of ACH beds in Chapter 11, Table 11A, page 247, of the 2016 SMFP. Therefore, the proposed project would not result in an increase in the inventory of ACH beds in Wake County.

On page 223, the 2016 SMFP defines the service area for adult care home beds as the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

Lee's Long Term Care Facility, located at 7133 Rock Service Station Road in Raleigh is located less than 31 miles from the proposed Waltonwood Silverton facility and Waltonwood Cary, located at 750 SE Cary Parkway is located 9.8 miles from the proposed Waltonwood Silverton facility which will be located at Evans Road and Cary Parkway. The distance was obtained from Google Maps¹.

According to the 2016 SMFP, there are currently a total of 47 existing facilities in Wake County that offer ACH services. The table below is a summary of the 47 facilities in Wake

¹ Google Maps <https://maps.google.com>

County. The table is recreated from the 2016 SMFP, Chapter 11, Table 11A, pages 246-247 and Table 11B, page 252. The 2016 SMFP projects a surplus of 256 ACH beds in Wake County by 2019.

2016 SMFP ACH Inventory & 2019 Need Projections Wake County	
# ACH Facilities	47
# Beds in ACH Facilities	2,929
# Beds in Nursing Homes	235
Total Licensed Beds	3,164
# CON Approved	65
Total # Available	3,229
Total # in Planning Inventory	3,203
Projected Bed Surplus	256
Source: 2016 SMFP	

The applicant does not propose to develop new ACH beds, but rather to replace an old ACH facility and relocate its existing 65 beds to a new facility. The applicant also proposes the relocation of nine ACH beds from Waltonwood Cary Parkway. Waltonwood Cary Parkway is licensed for 85 ACH beds. (See page 247 of the 2016 SMFP).

There will be no increase in the inventory of ACH beds in Wake County. The discussions regarding need and cost effectiveness found in Criterion (3) and Criterion (4), respectively, are incorporated herein by reference. The applicant adequately demonstrates that the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Wake County. 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 Section VII, pages 128 and 130, the applicant provides the proposed full time equivalents (FTEs) for direct care staff for Waltonwood Silverton, as shown below.

Waltonwood Silverton ACH Proposed Direct Care Staffing	
Position	Number FTE Positions Project Year 2 CY 2022
Day Shift	
ACH bed (excluding special care unit)	5.0
Special Care Unit	5.0
Total ACH	10.0
Evening Shift	
ACH bed (excluding special care unit)	5.0
Special Care Unit	4.0
Total ACH	9.0
Night Shift	
ACH bed (excluding special care unit)	5.0
Special Care Unit	4.0
Total ACH	9.0
Total 24 Hour	
ACH bed (excluding special care unit)	15.0
Special Care Unit	13.0
Total ACH	28.0

On page 134, the applicant provides FTEs for all staffing positions, as shown below.

Waltonwood Silverton ACH Proposed Total Staffing			
Position	ACH	SCU	Number of Full-Time Equivalent (FTE) Positions Project Year 2
Routine Services			
Resident Care Manager	0.54	0.46	1.00
Wellness Coordinator	0.54	0.46	1.00
Special Care Coordinator	0.00	1.00	1.00
Med Techs (a)	8.40	5.60	14.00
Caregivers (b)	12.60	12.60	25.20
Dietary			
Dining Services Director	0.27	0.23	0.50
Culinary Supervisor	0.27	0.23	0.50
Dining Room Supervisor I	0.27	0.23	0.50
Dining Room Supervisor II	0.11	0.09	0.20
Wait Staff	3.81	3.19	7.00
Cooks	3.05	2.55	5.60
Dishwashers	2.04	1.71	3.75
Activity Services			
Activities Manager	0.54	0.46	1.00
Activities Assistant AL	0.54	0.46	1.00
Forever Fit	0.33	0.27	0.60
Activities Driver 1	0.33	0.27	0.60
Housekeeping & Laundry			
Housekeepers	1.63	1.37	3.00
Operations & Maintenance			
Maintenance Supervisor	0.27	0.23	0.50
Maintenance Technician 1	0.27	0.23	0.50
Administrative & General			
Executive Director	0.27	0.23	0.50
Asst. Associate Director	0.27	0.23	0.50
Business Office Manager	0.27	0.23	0.50
AM Receptionist	2.29	1.91	4.20
Leasing Agent 1	0.27	0.23	0.50
Leasing Agent 2	0.27	0.23	0.50
Move-In Coordinator	0.27	0.23	0.50
TOTAL POSITIONS	39.77	34.88	74.65

In Section VII.6, page 138, the applicant describes its experience and process for recruiting and retaining staff. Exhibit 31 contains copies of letters that the applicant sent to local colleges and training programs to inform them of training opportunities with the proposed ACH. The applicant adequately demonstrates 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

In Section II.2, page 30 the applicant states, “*All of the services ... will be provided in accordance with all applicable license rules, and standards for adult care homes ...*” On page 53, the applicant states that its residents will be provided beauty and barber services, emergency medical services, therapy services, home health and hospice, and specialized physician services. In Section II.4, page 65, the applicant states that the following ancillary and support services will be contracted by Waltonwood: pharmacy and food service management. The following services will be provided via contracts between providers and residents: physician and dental, home health, hospice, therapy, barber and beauty. The applicant also states that area pastors will provide chaplain services. If residents need skilled nursing care, they will be transferred to a skilled nursing facility. Exhibit 15 contains letters from vendors expressing an interest in providing home health care, therapy (physical, occupational and speech), and pharmacy services to the residents of Waltonwood Silverton. 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 (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

C

The replacement facility is estimated to be 89,140 square feet. Construction is projected for completion in November 2020 and beds licensed in January 2021. The 65 beds are being relocated from Lee's Long Term Cary Facility and nine beds from Waltonwood Cary Parkway. The applicant reports that Lee's Long Term Cary Facility will close prior to the completion of Waltonwood Silverton. Upon completion of the new facility, Waltonwood Silverton will consist of 62 private ACH beds and 12 semi-private beds; with 24 of the 74 beds being designated for the special care unit. Total construction costs are projected to be \$8,206,307.

Exhibit 11 contains a letter from an architect stating that the total costs for the 74 bed ACH is estimated to be \$11,365,194 which corresponds with line D in Table VIII.I, page 141 of the application. Additionally, the letter from the architect also states that the total site work cost are projected to be \$802,471, this correlates to the projected site costs as reported on line B, page 141 of the application. Exhibit 26 contains a letter from the architect detailing the energy and water saving features to be included in the proposed project.

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 costs and charges for health 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

Waltonwood Silverton does not currently operate any ACH beds therefore, a comparison of the existing medically underserved population in the service area to the applicants' existing services cannot be made.

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

C

In Section VI.5(a) and (b), page 124, the applicant states:

“Waltonwood Silverton is not an existing facility. However, no person or persons has [sic] filed civil rights complaints filed against any facilities owned or operated in North Carolina by the applicant or the applicant’s common owners.”

- (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

The applicant reports in supplemental information that its projected payor mix for the proposed Waltonwood Silverton facility is based on historical payor mix in ACH facilities in Wake County. In Section VI.2, page 121, the applicant provides the projected payor mix for ACH services at Waltonwood Silverton for FFY 2022 (the second full federal fiscal year of operation), as shown in the following table:

ACH Services at Waltonwood Silverton Payor Category	ACH Residents (excluding SCU)	SCU Residents
Private Pay	62.9%	15.5%
Special Assistance-Basic Medicaid	0.0%	21.6%
Special Assistance-Enhanced Medicaid	0.0%	0.0%
Total	62.9%	37.1%
Total Facility		100.0%

As shown above, 21.6% of all ACH resident days are projected to be paid for by Special Assistance. Although Waltonwood Silverton will be a new facility and has no historical payor mix, the applicant states in the proforma assumptions that average monthly service income per private pay ACH resident and SCU resident is based on Waltonwood's historical experience. The applicant states in Section I.12(a), page 14,

other Waltonwood facilities in North Carolina (Waltonwood Providence, Waltonwood Cary Parkway, Waltonwood Cotswold, and the currently under construction Waltonwood Lake Boone II) have the same owners who also own Singh Development, LLC. Singh Development, LLC develops and manages all Waltonwood facilities.

The applicant demonstrates that medically underserved populations will have adequate access to the adult care home services provided by Waltonwood Silverton. Therefore, the application is conforming to this criterion.

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

C

In Section VI.6, page 125, the applicant states that access to the ACH services offered at Waltonwood will occur by a range of means to include: self-referrals, Wake County Division of Social Services, local hospitals, Alzheimer's Association - Eastern N.C. Chapter, area nursing facilities, hospices, home care and home health agencies, physicians, family members, churches and adult day care facilities.

The applicant adequately demonstrates it will offer a range of means by which residents will have access to the facility. 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

In Section V.1, page 115, the applicant states having contacted several Wake County area health professional training programs to offer Waltonwood Silverton as a clinical training site. Exhibit 31 contains copies of letters to Care One Health Training Institute, Miller-Motte College and Wake Tech Community College.

The applicant adequately demonstrates that the facility would accommodate the clinical needs of area health professional training programs. 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.

C

The applicant proposes to acquire, replace and relocate 65 adult care home (ACH) beds from Lee's Long Term Care Facility and nine adult care beds from Waltonwood Cary Parkway to a new facility on Evans Road and Cary Parkway in Cary. All sites are located in Wake County.

On page 223, the 2016 SMFP defines the service area for adult care home beds as the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

Lee's Long Term Care Facility, located at 7133 Rock Service Station Road in Raleigh is located less than 31 miles and Waltonwood Cary, located at 750 SE Cary Parkway is located 9.8 miles from the proposed Waltonwood Silverton which will be located at Evans Road and Cary Parkway. The distance was obtained from Google Maps².

According to the 2016 SMFP, there are currently a total of 47 existing facilities in Wake County that offer ACH services. The table below is a summary of the 47 facilities in Wake County. The table is recreated from the 2016 SMFP, Chapter 11, Table 11A, pages 246-247 and Table 11B, page 252. The 2016 SMFP projects a surplus of 256 ACH beds in Wake County by 2019.

² Google Maps <https://maps.google.com>

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Total Licensed Beds	3,164
# CON Approved	65
Total # Available	3,229
Total # in Planning Inventory	3,203
Projected Bed Surplus	256
Source: 2016 SMFP	

In Section III, pages 70-81, the applicant describes the quality and the need for the existing ACH facilities in Wake County. The applicant states that the average age of ACH facilities in Wake County is 22 years. Exhibit 21 contains a summary of Wake County ACH facilities age-related data. The applicant states that Lee's Long Term Care Facility was built in 1972. The further applicant states many of the facilities are outdated, with some of the facilities having few or no private rooms. As a result, the functional occupancy rate for those Wake County facilities is actually higher than the reported occupancy rate. In addition, the applicant states that Wake County needs more Special Assistance beds and that Waltonwood Silverton will provide access to Medicaid beneficiaries.

In Section V.4, page 118, the applicant states:

“The proposed project will have a positive impact on the cost-effectiveness, quality of care and access of underserved groups to the services proposed. This will, in turn, have a positive impact on competition in Wake County. The project will increase access to adult care home services in Wake County. The project will also add 24 secure Alzheimer's SCU beds and additional Medicaid beds to Wake County. ...”

The applicant provides more detailed information on its proposal and the impact on cost effectiveness, quality of care and improved access for underserved groups on pages 118-120. In Section II.5, page 66, the applicant discusses the level of quality care provided at Waltonwood Senior Living Communities which would further enhance ACH services in Wake County. See Section III.4, pages 94-98, for discussion regarding cost, quality and improved access of ACH services in Wake County.

See also Sections II, III, V, VI and VII in which the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicant in those sections is reasonable and adequately demonstrates that any enhanced competition in the service area includes a positive impact on the cost-effectiveness, quality and access to adult care home services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need for its proposal and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that it will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicant adequately demonstrates that it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criteria (3), and (13) are incorporated herein by reference.

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.

C

In Section I.12(a), page 14, the applicant states that its owner currently owns, leases, or manages four ACH facilities in North Carolina. According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding the submittal of this application through the date of the decision, no facilities were found to be out of compliance with one or more Medicare conditions of participation. At this time, all of the facilities are in compliance with all Medicare conditions of participation. 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 Waltonwood facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA