

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 9, 2016

Findings Date: November 9, 2016

Project Analyst: Celia C. Inman

Team Leader: Fatimah Wilson

Project ID #: J-11217-16

Facility: Waltonwood Lake Boone

FID #: 150152

County: Wake

Applicant: Waltonwood Lake Boone II, LLC

Project: Change of Scope and Cost Overrun for Project ID #J-11044-15 (relocate 40 beds from James Rest Home) by relocating 28 adult care home beds from Waltonwood Cary to Waltonwood Lake Boone for a total of 68 ACH beds upon completion of this project and Project ID #J-11044-15

### 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.

C

The applicant, Waltonwood Lake Boone II, LLC (Waltonwood), proposes to relocate 28 adult care home (ACH) beds from Waltonwood Cary Parkway, located at 750 SE Cary Parkway in Cary, to Waltonwood Lake Boone at 3550 Horton Street in Raleigh, a new 40-bed ACH facility approved in Project ID #J-11044-15 and under development. Both sites are located in Wake County. The project under review is a change of scope and cost overrun for Project ID #J-11044-15, adding 28 existing ACH beds for a total of 68 beds upon completion of both projects. Waltonwood proposes to include a 23-bed special memory care unit (SCU) at the new Waltonwood Lake Boone facility.

## **Need Determination**

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 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

## **Policies**

There are two policies in the 2016 SMFP that 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 currently served by the facility. Certificate of need applicants proposing to relocate licensed adult care home beds to contiguous counties shall:*

1. *Demonstrate that the proposal shall not result in a 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 State Medical Facilities Plan in effect at the time the certificate of need review begins, and*
2. *Demonstrate that the proposal shall not result in a 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 State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

Both the existing and proposed locations are 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, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be*

*consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN 4.*

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy-GEN 4. The plan shall not adversely affect patient or resident health, safety, or infection control."*

The proposed capital expenditure is greater than \$2 million and less than \$5 million. In Section XI, page 79, the applicant addresses energy efficiency and water conservation and refers to Exhibit 20 which contains a written statement outlining the plan for the proposed project to assure improved energy efficiency and water conservation.

The applicant adequately demonstrates the proposal includes a written statement describing the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4 and conforming to this criterion.

### **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.

- (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

The applicant proposes to relocate 28 ACH beds from Waltonwood Cary Parkway, located at 750 SE Cary Parkway in Cary, to Waltonwood Lake Boone at 3550 Horton Street in Raleigh, a new 40-bed ACH facility approved in Project ID #J-11044-15 and under development. Both sites are located in Wake County. The project under review is a change of scope and cost overrun for Project ID #J-11044-15, adding 28 existing ACH beds for a total of 68 beds upon completion of both projects and increasing the capital expenditure by \$4,986,594. The applicant proposes to include a 23-bed SCU at Waltonwood Lake Boone.

Chapter 11, Table 11A, page 247 in the 2016 State Medical Facilities Plan (SMFP), shows Waltonwood Cary Parkway with 85 existing ACH beds. In Section II.1, page 12 of the application, the applicant states that the 28 beds currently licensed at Waltonwood Cary Parkway are unoccupied and available for relocation. In Section II.2(b), page 18, the applicant states that members/owners of the applicant company also currently own and operate Waltonwood Cary Parkway.

**Patient Origin**

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 36, the applicant states that it expects the projected patient origin for Waltonwood Lake Boone to be the same as projected in the original Waltonwood Lake Boone application, Project ID #J-11044-15, as shown in the table below.

<b>Waltonwood Lake Boone ACH FFY 2018 Projected Patient Origin October 1, 2017- September 30, 2018</b>	
<b>COUNTY</b>	<b>% OF ACH ADMISSIONS</b>
Wake	95.0%
Counties adjacent to Wake County *	5.0%
<b>Total</b>	<b>100.0%</b>

\*Chatham, Durham, Granville, Franklin, Nash, Johnston, Harnett

On pages 36-37, the applicant states:

*“Adult Care facilities without nursing home beds do not report patient origin on NC LRAs. Therefore, limited available data on adult care patient origin was available to the applicants [sic]. The applicants [sic] projected patient origin using two primary sources, patient origin data reported by nursing homes with adult care beds on 2015 LRAs and the applicant’s internal data and experience with Waltonwood Cary Parkway.*

*See Exhibit 11 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. For the 11 nursing homes that reported these [sic] data, the median percent origin from Wake was 86 percent. ... Most of the non-Wake County residents in these facilities are from neighboring counties.*

*Waltonwood Cary Parkway does not keep data for home address or previous address for all residents. The applicant does maintain records of an address for contact purposes, usually these are next of kin, or the previous address of the*

*resident. The vast majority of residents at Waltonwood Cary Parkway have a contact address listed for Wake County. Others have children that live out of area but were previously living in Wake County. Please see Exhibit 12 for a summary of this information.”*

The applicant adequately identifies the population to be served.

### **Analysis of Need**

In Section III.1, pages 20-24, the applicant discusses the need for the proposed relocation of 28 existing ACH beds from Waltonwood Cary Parkway to Waltonwood Lake Boone, as an effort to sustain an accessible supply of ACH beds in Wake County as the older population continues expanding. The need methodology in Chapter 11, page 252, of the 2016 SMFP calculates a surplus of 256 ACH beds in Wake County in 2019. The applicant states that, with no calculated need identified in the 2016 SMFP, it is critical to retain ACH beds within the county and locate them near populations with high demand and limited ACH bed availability. The applicant states that the following factors influence the need for the proposed project:

- The applicant’s projected deficit of ACH beds in Wake County by 2018: The applicant projects a deficit of 25 beds in 2018 (first project year of operation) which increases to a deficit of 306 beds in 2020 (the third project year of operation). The applicant states that its methodology adjusts the need based on assumptions that facilities have limitations on admissions: beds held vacant to accommodate turnover; beds held in reserve for hospitalized residents; semi-private rooms being underutilized due to gender matching, resident compatibility, and infection control; and providers using semi-private units for single occupancy residences. (pages 21-22).
- Growth and aging of the population: The applicant states that Wake County is one of the largest and fastest growing counties in North Carolina. The applicant further states in a table on page 22 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 applicant states this is significant because the ACH use rate per 1,000 population is higher for the elderly than other age groups (page 22).
- Un-utilized beds at Waltonwood Cary Parkway: The applicant states that the 28 beds proposed for relocation from Waltonwood Cary Parkway are not in use. These beds are in rooms designed for double occupancy but which are being used for single occupancy. The existing facility cannot accommodate the construction of additional rooms (page 23).

In Section III.2(b), pages 26-31, the applicant discusses its seven-step methodology and assumptions used to project the need for the proposal, as outlined below:

**Step 1:** Determine projected Wake County population: Access the Wake County population by age for 2016 to 2023 from the NC Office of State Budget and Management (OSBM).

<b>CY</b>	<b>Under 35</b>	<b>35-64</b>	<b>65-74</b>	<b>75-84</b>	<b>85 up</b>	<b>Total</b>
2016	488,233	426,772	69,189	29,406	11,834	1,025,434
2017	492,748	435,913	73,275	31,125	12,441	1,045,502
2018	497,237	444,824	77,054	33,472	12,983	1,065,570
2019	502,191	453,102	81,012	35,837	13,497	1,085,639
2020	506,894	461,312	85,353	37,994	14,153	1,105,706
2021	511,695	469,240	89,459	40,595	14,785	1,125,774
2022	516,884	476,550	92,611	44,351	15,446	1,145,842
2023	522,609	483,082	96,250	47,768	16,202	1,165,911

**Step 2:** Determine the 2016 SMFP ACH five-year average use rates from page 222 of the 2016 SMFP for beds per 1,000 population.

<b>Under 35</b>	<b>35-64</b>	<b>65-74</b>	<b>75-84</b>	<b>85 up</b>
<b>0.09</b>	<b>1.50</b>	<b>5.71</b>	<b>19.90</b>	<b>77.33</b>

**Step 3:** Calculate ACH bed need for Wake County: Divide age group specific population for years 2016-2023 from Step 1 by 1,000 and multiply by the use rates in Step 2.

<b>CY</b>	<b>Under 35</b>	<b>35-64</b>	<b>65-74</b>	<b>75-84</b>	<b>85 up</b>	<b>Total</b>
2016	44	640	395	585	915	2,579
2017	44	654	418	619	962	2,698
2018	45	667	440	666	1,004	2,822
2019	45	680	463	713	1,044	2,944
2020	46	692	487	756	1,094	3,075
2021	46	704	511	808	1,143	3,212
2022	47	715	529	883	1,194	3,367
2023	47	725	550	951	1,253	3,525

As shown in the table above and on page 27 of the application, the applicant projects 3,075 ACH beds will be needed in 2020.

**Step 4:** Adjust the bed need for occupancy using an occupancy factor of 90%. The applicant suggests that this factor provides capacity allowances to support resident choice and to allow for admissions that take more than a few hours. The applicant adjusts the need by dividing the age specific needs from Step 3 by 90%.

<b>CY</b>	<b>Under 35</b>	<b>35-64</b>	<b>65-74</b>	<b>75-84</b>	<b>85 up</b>	<b>Total</b>
2016	49	711	439	650	1,017	2,866
2017	49	727	465	688	1,069	2,998
2018	50	741	489	740	1,116	3,136
2019	50	755	514	792	1,160	3,271
2020	51	769	542	840	1,216	3,417
2021	51	782	568	898	1,270	3,569
2022	52	794	588	981	1,327	3,741
2023	52	805	611	1,056	1,392	3,916

As the table above shows, the bed need changes from 3,075 to 3,417 beds needed in 2020. Note: the methodology in the 2016 SMFP and the Proposed 2017 SMFP uses an 85% use rate, not 90%, which the applicant states supports its projection as conservative.

**Step 5:** Determine the number of beds to subtract from the inventory because they are not available. The applicant bases this upon information provided in Exhibit 3 and Table III.10, page 30 of the application. Ninety-two beds fit this category.

**Step 6:** Determine the adjusted Wake County ACH bed inventory – subtract the adjustments to the inventory from Step 5 from the total county ACH bed inventory as reported in the 2016 SMFP. (Pages 29-30: 3,203 2016 SMFP ACH bed inventory - 92 = 3,111 total available ACH bed inventory)

**Step 7:** Calculate the surplus or deficit of ACH beds in Wake County for 2016-2023 – 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 increases to 306 in 2020 and 805 in 2023. (Page 31)

The applicant adequately demonstrates the need to relocate the 28 beds within Wake County from Waltonwood Cary Parkway to Waltonwood Lake Boone, based on the applicant’s methodology as discussed above.

Special Care Unit (SCU)

In Section II.2 (a-b), pages 14-18, the applicant describes the services for the proposed 23-bed SCU as follows:

- A comfortable, non-institutional neighborhood, with enclosed patio and safe outdoor environment
- An environment which will allow for creation of environmental cues
- Specialized staff (higher staffing ratios) and services tailored to the needs of memory impaired persons in the Alzheimer’s SCU, including dementia management
- Family participation in activities planning
- Therapeutic interventions, including:

- Assessment and care planning by specially trained staff
- Nutritional needs assessment
- Behavioral intervention
- Care planning and care giving partnership between family and staff
- Alignment with the standards and expectations of the Alzheimer’s Association
- Multi-sensory experiences, daily exercise, outings, group activities, and regularly scheduled visits with children
- Proper daily nutrition
- Hydration programs encouraging water and juices six times daily
- Individual service/care plan based on each resident’s unique needs
- Volunteer program
- Safety measures that addresses dementia dangers

The applicant states that the proposed SCU will be designed and operated in compliance with licensure requirements and design features.

In Section III.2, pages 24-25, the applicant discusses the need for the additional special care beds based on the growing Wake County population and the increasing prevalence of Alzheimer’s. On page 25, the applicant provides data supporting the need for 1,646 special care Alzheimer’s beds in Wake County in 2019, with a current licensed special care bed inventory of 964 beds, suggesting a deficit of 682 special care beds by 2019.

The applicant adequately demonstrates the need for a 23-bed Alzheimer’s SCU.

Projected Utilization

In Section IV, pages 39-40, the applicant provides projected utilization, as illustrated in the table below:

<b>WALTONWOOD LAKE BOONE PROJECTED UTILIZATION</b>			
	<b>1<sup>ST</sup> FULL FFY (10/1/17 – 9/30/18)</b>	<b>2<sup>ND</sup> FULL FFY (10/1/18 – 9/30/19)</b>	<b>3<sup>RD</sup> FULL FFY (10/1/19 – 9/30/20)</b>
<b>Adult Care Home Beds (excluding special care unit)</b>			
Patient Days	4,776	14,229	14,965
Occupancy Rate	29%	87%	91%
Number of Beds	45	45	45
<b>Special Care Unit (Memory Care)</b>			
Patient Days	4,328	8,030	8,395
Occupancy Rate	52%	96%	100%
Number of Beds	23	23	23
<b>Total Adult Care Home Beds</b>			
Patient Days	9,104	22,259	22,995
Occupancy Rate	37%	90%	93%
Number of Beds	68	68	68



As shown in the table above, in the second year of operation, Waltonwood projects the 68 ACH beds will operate at 90% of capacity [(22,259 days / 365 days per year) / 68 beds = 0.897, rounded to 90%]. Projected utilization is based on reasonable and adequately supported assumptions.

The quarterly projected utilization provided in Table IV.4, page 40, for the third project year does not sum to the totals provided by the applicant in the table. The totals for the FFY2020 quarterly utilization are as follows.

<b>WALTONWOOD LAKE BOONE PROJECTED UTILIZATION</b>	
	<b>3<sup>RD</sup> FULL FFY (10/1/19 – 9/30/20)</b>
<b>Adult Care Home Beds (excluding special care unit)</b>	
Patient Days	14,600
Occupancy Rate	89%
Number of Beds	45
<b>Special Care Unit (Memory Care)</b>	
Patient Days	8,395
Occupancy Rate	100%
Number of Beds	23
<b>Total Adult Care Home Beds</b>	
Patient Days	22,995
Occupancy Rate	93%
Number of Beds	68

As shown in the table above, the difference is in the total patient days for the ACH beds, excluding special care beds. However, the error is insignificant to the analysis of projected utilization.

In Section IV.3, page 41, the applicant provides the assumptions and methodology for projecting utilization of the total 68 ACH beds for the first three full federal fiscal years (FFYs). Below is a summarization of the applicant’s assumptions and methodology.

- More ACH beds are needed in Wake County due to high occupancy rates in existing ACHs. Because the applicant proposes to relocate existing ACH beds in Wake County, not add new beds to the inventory, the occupancy rate should remain high.
- The central location of Waltonwood Lake Boone will provide easy access for Wake County Residents.
- Waltonwood has a strong reputation for senior care, which supports filling beds quickly.

- The 2016 SMFP does not identify a need for additional ACH beds in Wake County.
- The applicant filled the Waltonwood Cary Parkway facility to target occupancy within nine months, and thinks it is reasonable to project a similar fill rate for Waltonwood Lake Boone. The projected facility fill rate is four residents per month, at the beginning of each month, toward target occupancy of 93% in 16 months. The applicant states that based on its experience at Waltonwood Cary Parkway, 93% occupancy is reasonable.
- The applicant's experience suggests maintaining a consistent target occupancy below 100% is reasonable.
- Projected ACH bed need in 2018-2020 supports targeted occupancy through the third operating year.
- After October 1, 2017 the applicant expects to serve 21% Medicaid beneficiaries. Table IV.5, page 42, shows that 27.7% of the patients added in FFY2018 were Medicaid beneficiaries.
- Medicaid certification will lag licensure by six months.

In Section II.1(b), page 13, the applicant describes the proposed ACH beds, as depicted below in the table:

<b>WALTONWOOD LAKE BOONE PROPOSED BEDS</b>			
	<b>Traditional ACH</b>	<b>SCU</b>	<b>Total</b>
Private Beds	33	23	56
Semi-private Beds	12	0	12
<b>Total Beds</b>	<b>45</b>	<b>23</b>	<b>68</b>

Projected utilization is based on reasonable and adequately supported assumptions.

### **Access**

In Section IV.3, page 41, the applicant states in its assumptions, *“After October 1, 2017, until the project reaches target occupancy, applicant projects to fill up to 21 percent Medicaid beneficiaries.”* The applicant states that the projections are based on the applicant's experience in operating other facilities. In Section II, page 18, the applicant states that other Waltonwood facilities in North Carolina (Waltonwood Providence, Waltonwood Cary Parkway and Waltonwood Cotswold) have the same owners who also own Singh Development, LLC, which develops and manages all Waltonwood facilities.

On page 42, Table IV.5, the applicant provides a table with the number of patients to be added by payor source by quarter in the first and second federal fiscal years.

On page 46, the applicant projects the following payor mix for the ACH beds in the second year of operation following completion of the project:

<b>WALTONWOOD LAKE BOONE</b>		
<b>Projected ACH Payor Mix</b>		
<b>OCTOBER 1, 2018-SEPTEMBER 30, 2019</b>		
<b>PAYOR SOURCE</b>	<b>ACH (EXCLUDING SPECIAL CARE)</b>	<b>SPECIAL CARE UNIT</b>
Private Pay	63.9%	14.8%
Special Assistance with Basic Medicaid	0.0%	21.3%
Special Assistance with Enhanced Medicaid	0.0%	0.0%
Total	63.9%	36.1%
Total Facility		100.0%

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, in the original application, Project ID #J-11044-15, the applicant adequately identified the population to be served, adequately demonstrated the need to develop Waltonwood Lake Boone with the 40-bed relocation, and adequately demonstrated the extent to which all residents of the service area, including underserved groups, are likely to have access to its services. In this application, the applicant adequately identifies the population to be served, adequately demonstrates the need to relocate the 28 existing Waltonwood Cary Parkway ACH beds to Waltonwood Lake Boone, 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.

The applicant proposes to replace and relocate 28 licensed ACH beds from Waltonwood Cary Parkway, located at 750 SE Cary Parkway in Cary, to Waltonwood Lake Boone, at 3550 Horton Street in Raleigh. Both sites are located in Wake County. According to Google Maps, the proposed Waltonwood Lake Boone site is located between 8 to 11 miles, depending upon the route taken, from the existing Waltonwood Cary Parkway site. Therefore, the 28 beds would be geographically accessible to the same population served at Waltonwood Cary Parkway. However, in Section II.1, page 12, the applicant states:

*“The 28 beds currently licensed at Waltonwood Cary Parkway are unoccupied and available for relocation.”*

The applicant states that the Waltonwood Cary Parkway facility was built with a disproportionate number of semi-private beds rooms that are now utilized as private rooms and that the site is not appropriate for expansion; therefore they are proposing to relocate the unutilized beds to Waltonwood Lake Boone. In Section III. 5, page 34, the applicant further states:

*“In the unlikely event beds are occupied and displacement of residents is necessary, each resident will be given the opportunity to move to the brand new Waltonwood Lake Boone facility.”*

The applicant demonstrates 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.

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In Section III.3, pages 32-33, the applicant discusses the other alternatives considered for meeting the needs for the proposed project, as summarized below:

- 1) Maintain the status quo – Leave the Licensed Beds at Waltonwood Cary Parkway - The applicant states that Waltonwood Cary Parkway has a disproportionate number of semi-private beds rooms that are now utilized as private rooms, leaving the 28 licensed beds unfilled. As the applicant explains in Section II.1(a), the current site is *“unfit for more bed rooms”*, is in a low area with a steep grade on the backside which prevents the addition of a wing, and constructing an additional level is not a realistic alternative. Therefore, the applicant states that this option is not considered an effective alternative.
- 2) Develop Fewer than 68 Beds at Waltonwood Lake Boone – The applicant states that developing fewer beds or splitting the beds into more than one location would result in increased costs per bed. The applicant further states that relocating the 28 beds

from Waltonwood Cary Parkway would provide more efficient site operations at both sites, allowing Waltonwood to offer competitive private pay rates. Therefore the applicant states developing fewer than the total 68 beds would not be the most effective or least costly alternative.

- 3) Relocate the Beds to a Different Site – The applicant states that it considered relocating the beds to Waltonwood Silverton, a different Cary site, but determined that that facility did not need the additional 28 beds at this time. Therefore the applicant determined this not to be an effective alternative.

The applicant determined that the proposed project as submitted to relocate 28 ACH beds from Waltonwood Cary Parkway to Waltonwood Lake Boone is the most effective alternative to meet its identified need.

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 Lake Boone II, LLC shall materially comply with all representations made in the certificate of need application.**
2. **Waltonwood Lake Boone II, LLC shall relocate no more than 28 ACH beds from Waltonwood Cary Parkway to its proposed Waltonwood Lake Boone facility, for a facility total of no more than 68 ACH beds upon completion of this project and Project ID #J-11044-15 (relocate 40 ACH beds from James Rest Home), which may include a 23-bed memory care unit.**
3. **Waltonwood Cary Parkway shall be licensed for no more than 48 ACH beds upon completion of this project and Project ID #J-11158-16, which approved the relocation of nine ACH beds from Waltonwood Cary Parkway to Waltonwood Silverton.  $(85 - 9 = 76 - 28 = 48)$**
4. **The total approved capital expenditure for this project, Project ID #J-11217-16 and Project ID #J-11044-15 is \$9,867,316, an increase of \$4,986,594 over previously approved Project ID #J-11044-15.**
5. **For the first two years of operation following completion of the project, Waltonwood Lake Boone II, 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 Lake Boone II, LLC shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI. 2.**
  - 7. Waltonwood Lake Boone II, 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 replace and relocate 28 licensed ACH beds from Waltonwood Cary Parkway to Waltonwood Lake Boone, at 3550 Horton Street in Raleigh. Both sites are located in Wake County.

**Capital and Working Capital Costs**

In Section VIII.1, pages 59-60, the applicant projects the total capital costs for this project as a cost overrun and change of scope proposal for Project ID #J-11044-15. The table below shows the approved capital costs from Project ID #J-11044-15, the proposed costs for the project under review, and the total for completion of both projects.

	<b>Project ID #J-11044-15 Approved Capital Costs</b>	<b>Proposed Capital Costs for Change of Scope/Cost Overrun Project ID #J-111217-16</b>	<b>Total Capital Costs</b>
Site Costs	\$203,806	\$361,465	\$565,271
Construction / Renovation Costs	\$4,048,924	\$3,198,831	\$7,247,756
Miscellaneous Costs	\$627,991	\$1,426,297	\$2,054,289
<b>Total</b>	<b>\$4,880,721</b>	<b>\$4,986,594</b>	<b>\$9,867,316</b>

Totals may not sum due to rounding

In Section VIII.2, page 61, the applicant indicates that the total capital costs of both projects will be financed via commercial loan.

In Section IX, of Project ID #J-11044-15, the applicant estimates start-up expenses of \$365,209 and total working capital needs of \$1,151,711, which includes the start-up expenses and \$786,503 for eight months of initial operating expenses. In Section IX of this application, the applicant provides the estimated total working capital needs for all 68 beds as

\$2,103,546, with start-up of \$489,975 and initial operating expenses for 15 months at \$1,613,571. On page 69, the applicant states that the working capital costs will also be financed via commercial loan.

**Availability of Funds**

Exhibit 17 contains a copy of an August 8, 2016 letter from the First Vice President of Commercial Real Estate for Flagstar Bank, which states:

*“We understand that Waltonwood Lake Boone II, LLC is applying for a Certificate of Need to relocate 28 adult care beds from an existing facility in Wake County to a newly constructed facility in Raleigh, North Carolina. We are prepared to fully underwrite and process a loan request of up to \$15,000,000, which also includes the required working capital, specifically for the adult care home project, which will cover 100 percent of the capital costs.”*

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

**Financial Feasibility**

In Section X.3, pages 73-74, 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 private pay charges/rates for the special care unit beds is projected to be \$202.74 for a private or semi-private room in each of the first two full federal fiscal years. The charges/rates, including those for State/County Special Assistance, are shown in the following table.

<b>WALTONWOOD LAKE BOONE PROJECTED CHARGES/RATES</b>				
<b>Source of Payment by Type of Care</b>	<b>First Federal Fiscal Year (FFY 2018)</b>		<b>Second Federal Fiscal Year (FFY 2019)</b>	
	<b>Private Room</b>	<b>Semi-Private Room<sup>1</sup></b>	<b>Private Room</b>	<b>Semi-Private Room<sup>*</sup></b>
<b>ACH (excluding special care unit)</b>				
Private Pay	\$199.47	\$199.47	\$199.47	\$199.47
State/County Assistance <sup>^</sup>	\$63.19	\$63.19	\$63.19	\$63.19
<b>Special Care Unit</b>				
Private Pay	\$202.74	\$202.74	\$202.74	\$202.74
State/County Assistance <sup>°</sup>	\$74.14	\$74.14	\$74.14	\$74.14

\*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.  
<sup>^</sup>State/County special assistance for adult care includes \$1,228 in monthly county assistance and 50 hours.

°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 XIII.) for more detail.

Furthermore, in Form B (Statement of Operating Results and Retained Earnings), the applicant projects that operating expenses will exceed revenues during the first full federal fiscal year. However, in operating year two (FFY2019), total revenues are projected to exceed total operating expenses as shown below in the table.

<b>WALTONWOOD LAKE BOONE REVENUES &amp; EXPENSES</b>			
	<b>ADULT CARE HOME BEDS</b>	<b>SPECIAL CARE UNIT BEDS</b>	<b>TOTAL ACH</b>
<b>First Full Project Year (FFY 2018)</b>			
Projected Days of Care	4,776	4,328	9,104
Projected Average Revenue per Patient Day	\$ 248	\$ 206	\$ 228
Revenues	\$ 1,186,635	\$ 892,193	\$ 2,078,828
Operating Costs	\$ 2,075,338	\$ 1,634,957	\$ 3,710,295
Net Income	(\$ 888,703)	(\$ 742,763)	(\$ 1,631,467)
<b>Second Full Project Year (FFY 2019)</b>			
Projected Days of Care	14,229	8,030	22,259
Projected Average Revenue per Patient Day	\$ 231	\$ 158	\$ 205
Revenues	\$ 3,285,722	\$ 1,270,288	\$ 4,556,010
Operating Costs	\$ 2,644,167	\$ 1,691,511	\$ 4,335,678
Net Income	\$ 641,555	(\$ 421,223)	\$ 220,332

Waltonwood adequately demonstrates that projected revenues and operating costs are based on reasonable and adequately supported assumptions (Section XIII. Proformas), including projected utilization, costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

**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.



The applicant proposes to replace and relocate 28 ACH beds from Waltonwood Cary Parkway to Waltonwood Lake Boone. Both facilities are located in Wake County. The 28 beds proposed to be relocated are among the 85 ACH beds currently listed for Waltonwood Cary Parkway in the ACH bed inventory in Chapter 11, Table 11A, 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.

Waltonwood Cary Parkway, at 750 SE Cary Parkway in Cary, is located less than 11 miles from Waltonwood Lake Boone at 3550 Horton Street in Raleigh, according to Google Maps. Both sites are located in Wake County. Therefore, the 28 beds would be geographically accessible to the same population previously served at Waltonwood Cary Parkway. Furthermore, in Section II.1, page 12, the applicant states:

*“The 28 beds currently licensed at Waltonwood Cary Parkway are unoccupied and available for relocation.”*

The applicant states that the Waltonwood Cary Parkway facility was built with a disproportionate number of semi-private beds rooms that are now utilized as private rooms and that the site is not appropriate for expansion; therefore, in order to utilize the existing, licensed beds, the applicant is proposing to relocate the beds to Waltonwood Lake Boone.

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. There is a projected surplus of 256 ACH beds in 2019 for Wake County.

<b>2016 SMFP ACH Inventory &amp; 2019 Need Projections Wake County</b>	
# ACH Facilities	47
# Beds in ACH Facilities	2,929
# Beds in Nursing Homes	235
Total Licensed Beds	3,164
# CON Approved, License Pending	65
Total # Available	3,229
Exclusions	-26
Total # in Planning Inventory	3,203
Projected Bed Utilization Summary	2,947
Projected Bed Surplus	256

Source: 2016 SMFP

The applicant does not propose to develop new ACH beds, but rather to replace and relocate 28 existing beds from a facility that is unable to utilize the beds to a facility in which the licensed beds can be utilized. There will be no increase in the inventory of ACH beds or the number of facilities 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 50-57, the applicant discusses the proposed staffing. On page 52, the applicant provides the number of full-time equivalent (FTE) positions for direct care staff as shown below in the table.

<b>Waltonwood Lake Boone ACH Proposed Direct Care Staffing</b>	
<b>Position</b>	<b>Number of Full-Time Equivalent (FTE) Positions Project Year 2</b>
<b>Day Shift</b>	
ACH bed (excluding special care unit)	7.0
Special Care Unit	7.0
<b>Total ACH</b>	<b>14.0</b>
<b>Evening Shift</b>	
ACH bed (excluding special care unit)	7.0
Special Care Unit	5.6
<b>Total ACH</b>	<b>12.6</b>
<b>Night Shift</b>	
ACH bed (excluding special care unit)	7.0
Special Care Unit	5.6
<b>Total ACH</b>	<b>12.6</b>
<b>Total 24 Hour</b>	
ACH bed (excluding special care unit)	21.0
Special Care Unit	18.2
<b>Total ACH</b>	<b>39.2</b>

On page 56, the applicant provides FTEs for all staffing positions, as shown in the following table.

<b>Waltonwood Lake Boone ACH Proposed Total Staffing</b>			
<b>Position</b>	<b>ACH</b>	<b>SCU</b>	<b>Number of Full-Time Equivalent (FTE) Positions Project Year 2</b>
<b>Routine Services</b>			
Resident Care Manager	0.52	0.48	1.00
Wellness Coordinator	0.52	0.48	1.00
Med Techs (a)	8.40	5.60	14.00
Caregivers (b)	12.60	12.60	25.20
<b>Dietary</b>			
Dining Services Director	0.26	0.24	0.50
Dining Room Supervisor I	0.26	0.24	0.50
Dining Room Supervisor II	0.10	0.10	0.20
Wait Staff	3.62	3.38	7.00
Cooks	2.17	2.03	4.20
Dishwashers	1.94	1.81	3.75
<b>Activity Services</b>			
Activities Manager	0.52	0.48	1.00
Activities Assistant AL	0.52	0.48	1.00
Forever Fit	0.31	0.29	0.60
Activities Driver 1	0.31	0.29	0.60
<b>Housekeeping &amp; Laundry</b>			
Housekeepers	1.55	1.45	3.00
<b>Operations &amp; Maintenance</b>			
Maintenance Supervisor	0.26	0.24	0.50
Maintenance Technician 1	0.26	0.24	0.50
<b>Administrative &amp; General</b>			
Executive Director	0.26	0.24	0.50
Assistant Associate Director	0.26	0.24	0.50
AM Receptionist	2.17	2.03	4.20
Leasing Agent 1	0.26	0.24	0.50
Leasing Agent 2	0.26	0.24	0.50
Move-in Coordinator	0.26	0.24	0.50
<b>TOTAL POSITIONS</b>	<b>37.56</b>	<b>33.69</b>	<b>71.25</b>

Exhibit 13 contains copies of letters that the applicant sent to local colleges and training programs to notify them of the clinical training opportunities at Waltonwood Lake Boone as well as job opportunities. 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, of the original application, Project ID #J-11044-15, the applicant describes the ancillary and support services proposed at Waltonwood Lake Boone, as follows:

- On page 27, the applicant states, “All of the services ... *will be provided in accordance with all applicable license rules, and standards for adult care homes ...*”.
- On pages 41 and 47-48, the applicant states that its residents will be provided transportation, laundry services, family support group, home health and hospice (to include durable medical equipment).
- In Section II.4, page 58, 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 with 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 14 contains letters from home health care, therapy (physical, occupational and speech), and pharmacy agencies indicating they will provide services to Waltonwood Lake Boone ACH residents.

In Project ID #J-11044-15, the applicant was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, this change of scope/cost overrun 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 application under review is for a change of scope/cost overrun on Project ID #J-11044-15. In the original application, the applicant proposed to develop Waltonwood Lake Boone, a 40-bed ACH. This cost overrun application proposes additional construction to accommodate the relocation of an additional 28 existing Waltonwood Cary Parkway ACH beds to Waltonwood Lake Boone.

The table below contains the previously approved and the proposed construction costs for Waltonwood Lake Boone.

	<b>Project ID #J-11044-15 Approved Capital Costs</b>	<b>Proposed Capital Costs for Change of Scope/Cost Overrun Project ID #J-111217-16</b>	<b>Total Capital Costs</b>
Site Costs	\$203,806	\$361,465	\$565,271
Construction / Renovation Costs	\$4,048,924	\$3,198,831	\$7,247,756
<b>Total</b>	<b>\$4,252,730</b>	<b>\$3,560,296</b>	<b>\$7,813,027</b>

Totals may not sum due to rounding

The expanded facility is estimated to be 85,577 square feet, adding 27,696 square feet to the previously approved 57,881 square feet. Construction is projected for completion in August 2017, becoming operational in October 2017.

Exhibit 15 contains a letter from the architect stating that site and construction costs for the 68-bed ACH is estimated to be \$7,813,027, which corresponds with Table VIII.I, page 59 of the

application. In Section XI.8, page 79, the applicant discusses energy saving features and refers to Exhibit 20 for 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 proposed 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 Lake Boone ACH is not an existing facility.

- (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.4(a-c), page 47, the applicant states:

*“Waltonwood Lake Boone is not an existing facility. However, no person or persons has filed civil rights complaints against any facilities owned or operated in North Carolina by the applicant members or the applicant's common owners.”*

The application is conforming to this criterion.

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

C

In Section VI.2, page 46, the applicant provides the projected payer mix for ACH services at Waltonwood Lake Boone for FFY2019 (the second full federal fiscal year of operation), as shown in the following table.

<b>ACH Services at Waltonwood Lake Boone Payor Category</b>	<b>ACH Residents (excluding SCU)</b>	<b>SCU Residents</b>
Private Pay	63.9%	14.8%
Special Assistance-Basic Medicaid	0.0%	21.3%
Total	63.9%	36.1%
<b>Total Facility</b>		<b>100.0%</b>

As illustrated in the table above, 21% of all ACH SCU resident days are projected to be paid for by Special Assistance. In Section IV.3, page 41, the applicant provides the assumptions and methodology used to project payor mix.

In Section VI.5, page 49, the applicant states that the Wake County Division of Social Services indicates a need for additional access to ACH Medicaid and memory care services, both universally underserved groups of individuals, per the applicant. The applicant also states that Waltonwood Lake Boone construction will comply with all applicable rules and recommendations of the Americans with Disabilities Act.

The applicant demonstrates that medically underserved populations will have adequate access to the adult care home services provided by Waltonwood. 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 the original application, Project ID #J-11044-15, Section VI.6, page 113, the applicant states that access to the ACH services offered at Waltonwood Lake Boone will occur by a range of means to include: self-referrals, Wake County Division of Social Services, Alzheimer's Association - Eastern N.C. Chapter, area hospitals, nursing facilities, hospices, home care and home health agencies, physicians, family members, churches and adult day care facilities.

Project ID #J-11044-15 was found conforming to this criterion and the applicant proposes no changes in the current application that would affect that determination. Consequently, the change of scope/cost overrun 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 43, the applicant states having contacted several Wake County area health professional training programs to offer Waltonwood Lake Boone as a clinical training site. Exhibit 13 contains copies of letters to Wake Tech Community College, Care One Health Training Institute and Miller-Motte 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 replace and relocate 28 ACH beds from Waltonwood Cary Parkway to Waltonwood Lake Boone.

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.

Waltonwood Cary Parkway, at 750 SE Cary Parkway in Cary, is located less than 11 miles from Waltonwood Lake Boone at 3550 Horton Street in Raleigh, according to Google Maps. Both sites are located in Wake County. Therefore, the 28 beds would be geographically accessible to the same population previously served at Waltonwood Cary Parkway. Furthermore, in Section II.1, page 12, the applicant states:



*“The 28 beds currently licensed at Waltonwood Cary Parkway are unoccupied and available for relocation.”*

The applicant states that the Waltonwood Cary Parkway facility was built with a disproportionate number of semi-private beds rooms that are now utilized as private rooms and that the site is not appropriate for expansion; therefore, in order to utilize the existing, licensed beds, the applicant is proposing to relocate the beds to Waltonwood Lake Boone.

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 2019 for Wake County.

<b>2016 SMFP ACH Inventory &amp; 2019 Need Projections Wake County</b>	
# ACH Facilities	47
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Total Licensed Beds	3,164
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Total # Available	3,229
Exclusions	-26
Total # in Planning Inventory	3,203
Projected Bed Utilization Summary	2,947
Projected Bed Surplus	256
Source: 2016 SMFP	

The applicant does not propose to develop new ACH beds, but rather to replace and relocate 28 existing beds from a facility that is unable to utilize the beds to a facility in which the licensed beds can be utilized. There will be no increase in the inventory of ACH beds or the number of facilities in Wake County.

In Section VI.5, the applicant discusses how the proposed project will have a positive impact on the cost effectiveness, quality of care and access of underserved groups to the services provides. On page 47, 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, in turn, will 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 23 secure Alzheimer’s SCU beds to Wake County. The new memory care beds will increase the Wake County inventory by six percent.”*

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 47-49. See also Sections II, III, V, VI and VII where 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 the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need to relocate the 28 ACH beds from Waltonwood Cary Parkway to Waltonwood Lake Boone and that the proposed project is a cost-effective alternative to meet the applicant's identified need. 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 Waltonwood Lake Boone will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicant adequately demonstrates that Waltonwood will provide adequate access to medically underserved populations. The discussions 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 II.2(c), page 18, the applicant states that its members/owners currently own and operate three ACH facilities in North Carolina: Waltonwood Cary Parkway in Cary, and Waltonwood Cotswold and Waltonwood Providence in Charlotte. In Section II.3(b), the applicant states that Waltonwood Providence received a citation for an A1 violation on August 13, 2015. Exhibit 2 contains the statement of deficiencies and a plan of correction approved, as of September 17, 2015. The applicant further states, "*There was no loss of licensure or certification related to the violation.*" According to the files in the Adult Care Licensure Section, DHSR, one violation occurred at one of the facilities within the eighteen months immediately preceding submission of the application through the date of this decision related to quality of care. As of the date of this decision, the problems had been corrected. After reviewing and considering information provided by the applicant and by 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