

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: May 26, 2017

Findings Date: May 26, 2017

Project Analyst: Julie Halatek

Team Leader: Fatimah Wilson

Project ID #: G-11295-17

Facility: Autumn Care of Mocksville

FID #: 090838

County: Davie

Applicants: Omega Healthcare Investors, Inc.
Autumn Corporation

Project: Cost overrun on Project I.D. #G-8431-09 (relocate and replace a combination skilled nursing facility with 96 nursing facility beds and 12 adult care home beds)

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. § 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 applicants, Omega Healthcare Investors, Inc. (Omega) and Autumn Corporation (Autumn Corp.) propose a cost overrun for Project I.D. #G-8431-09 (relocate and replace a combination skilled nursing facility with 96 nursing facility beds and 12 adult care home beds).

A certificate of need was issued on March 15, 2010 for Project I.D. #G-8431-09 to relocate and replace Autumn Care of Mocksville, the existing 108-bed combination nursing facility. The Agency received a letter from the applicants for this project on January 14, 2016, notifying the agency of a planned acquisition of the land and operations of 16 skilled nursing facilities across North Carolina. In that letter, the applicants stated that Omega would be acquiring the real property of both the existing facility and the proposed relocation site, and further stated that SHG Autumn, LLC (which owns Autumn Corp.) would be acquiring the operations

component of the facility. The Agency also received a letter on December 30, 2015 from the applicants, requesting a transfer for good cause of the certificate of need. The Agency approved the transfer for good cause on January 7, 2016 and confirmed that the acquisition proposed by the applicants was exempt from review on January 14, 2016.

The original approved capital expenditure was \$9,681,900 to relocate and replace the existing facility. The current application is for a cost overrun of \$3,305,299, resulting from the increases in cost of materials and equipment during the past eight years, as well as from receiving more detailed bids and adding comfort and safety features that were not the industry standard at the time the original application was approved.

In Project I.D. #G-8431-09, the applicant projected occupancy and offering of services by October 1, 2011. In this cost overrun application, the applicants project occupancy and offering of services by October 1, 2018. There is no material change in scope from the originally approved project in this application.

Need Determination

The applicants do not propose to increase the number of licensed beds in any category, add any new health services, or acquire equipment for which there is a need determination in the 2017 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2017 SMFP that are applicable to this review.

Policies

In Project I.D. #G-8431-09, the following policies from the 2009 SMFP were applicable to the review:

- Policy NH-6: Relocation of Nursing Facility Beds
- Policy NH-8: Innovations in Nursing Facility Design
- Policy LTC-2: Relocation of Adult Care Home Beds

The 2017 version of these policies are all applicable to the current review; however, the applicant was conforming to all three policies in Project I.D. #G-8431-09, and there are no proposed changes in the current application which would change that determination.

However, there is one additional policy in the 2017 SMFP which is applicable to this review: Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy GEN-4, on page 33 of the 2017 SMFP, 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 shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4.

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

The proposed capital expenditure is greater than \$2 million and less than \$5 million. In Section II.7, pages 15-16, and Section IX.5, page 63, the applicants provide a statement describing their plans to construct the facility in accordance with the provisions in Policy GEN-4 and to include energy-efficient and water conservation features. The application is consistent with this policy. There are no other policies in the 2017 SMFP that are applicable to this review.

Conclusion

In summary, the application is consistent with Policy NH-6, Policy NH-8, Policy LTC-2, and Policy GEN-4. 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 applicants, Omega and Autumn Corp., propose a cost overrun for Project I.D. #G-8431-09 (relocate and replace an existing combination skilled nursing facility with 96 nursing facility beds and 12 adult care home beds).

A certificate of need was issued on March 15, 2010 for Project I.D. #G-8431-09 to relocate and replace Autumn Care of Mocksville, the existing 108-bed combination nursing facility. The Agency received a letter from the applicants for this project on January 14, 2016, notifying the agency of a planned acquisition of the land and operations of 16 skilled nursing facilities across North Carolina. In that letter, the applicants stated that Omega Healthcare Investors,

Inc. would be acquiring the real property of both the existing facility and the proposed relocation site, and further stated that SHG Autumn, LLC (which owns Autumn Corp.) would be acquiring the operations component of the facility. The Agency also received a letter on December 30, 2015 from the applicants, requesting a transfer for good cause of the certificate of need. The Agency approved the transfer for good cause on January 7, 2016 and confirmed that the acquisition proposed by the applicants was exempt from review on January 14, 2016.

Patient Origin

On page 191, the 2017 SMFP defines the service area for nursing facility beds as the county where the beds are located. Thus, the service area for Autumn Care of Mocksville consists of Davie County. Facilities may serve residents of counties not included in their service area.

In Project I.D. #G-8431-09, the applicant was approved to relocate and replace the existing 108-bed combination skilled nursing facility pursuant to Policies NH-6, NH-8, and LTC-2. The current application is for a cost overrun for that project. In Project I.D. #G-8431-09, the applicant adequately identified the population to be served and no changes are proposed in this application that affect that determination.

Analysis of Need

In Section VI.2, pages 39-40, the applicants state the following to explain the reason for the proposed cost overrun:

“Development of the project was delayed due to very unfavorable financing, construction, and reimbursement environments following the project’s approval in 2010.

Lending institutions were either not lending or were lending at terms very unfavorable to new nursing home development. Autumn [Corporation] was unwilling to saddle the project with the debt terms in effect during that time.

Due to state budget cuts resulting from the effects of the Great Recession, Medicaid rates to nursing homes were cut, which put severe financial pressure on North Carolina nursing homes. Autumn Corporation was not willing to risk investing millions of dollars in this unstable market.

During and following the Great Recession, the construction industry severely contracted, forcing a substantial number of general contractors, sub-contractors, and construction trades to go out-of-business. This resulted in a lack of competitive bid opportunity, which resulted in rapidly rising bids for new construction projects.

During the past year or so, the lending and new construction markets for nursing homes has shown improvement, and the severe reimbursement rate pressure on North Carolina’s nursing homes has lessened, which resulted in Autumn [Corporation]’s decision to proceed.”

On page 39, the applicants state that the previously proposed capital expenditure was based on market conditions during 2009, and the current cost estimates are based on bid prices for building construction, site preparation, fixed and moveable equipment, and furnishings during the market year 2016/2017. On page 40, the applicants state that the increase in cost is due to inflation occurring during the last eight years, up-to-date safety features being added, and the addition of safety and comfort features in products that are now becoming standard within the industry.

The following table compares the previously approved capital cost and the proposed capital cost in this application, as reported on page 35.

Autumn Care of Mocksville – Previously Approved vs. Proposed Capital Expenditures			
Item/Category	Previously Approved Cost	Total Proposed Cost	Total Overrun Cost
Site Prep Costs	\$837,900	\$1,780,468	\$942,568
Other Site Costs	\$1,160,000	\$1,340,000	\$180,000
Construction Contract	\$6,285,000	\$7,743,261	\$1,458,261
Furniture Costs	\$864,000	\$1,423,470	\$559,470
Other Misc. Costs	\$535,000	\$700,000	\$165,000
Total	\$9,681,900	\$12,987,199	\$3,305,299

The project scope, the population to be served, and access by underserved groups as demonstrated in the original application will not change as a result of this application. The applicants’ representations regarding the need for an additional capital expenditure to develop the proposed facility are reasonable and adequately supported.

Projected Utilization

The applicants provide projected utilization data in Section III.2, pages 19-21, as well as supplemental information received April 28, 2017, as summarized below.

Historical Utilization – Autumn Care of Mocksville – March 2016 – December 2016					
		2nd Quarter	3rd Quarter	4th Quarter	Total
	March 2016	4/1/16 – 6/30/16	7/1/16 – 9/30/16	10/1/16 – 12/31/16	
NH Beds					
Patient Days	1,948	5,646	6,234	6,320	20,148
Occupancy Rate	79.54%	78.54%	85.77%	86.96%	83.35%
# of Beds*	79	79	79	79	79

* On page 17, the applicants state that because of the deteriorated condition of the part of the building where these beds were located, 29 beds (17 NF beds and all 12 ACH beds) have been unoccupied during this time period.

Projected Utilization – Autumn Care of Mocksville – OY 1					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
FY 2019	10/1/18 – 12/31/18	1/1/19 – 3/31/19	4/1/19 – 6/30/19	7/1/19 – 9/30/19	
NH Beds					
Patient Days	6,808	7,830	8,008	8,096	30,742
Occupancy Rate	77.08%	90.63%	91.67%	91.67%	87.73%
# of Beds	96	96	96	96	96
ACH Beds					
Patient Days	212	630	882	920	2,644
Occupancy Rate	19.20%	58.33%	80.77%	83.33%	60.37%
# of Beds	12	12	12	12	12
Total Facility					
Patient Days	7,020	8,460	8,890	9,016	33,386
Occupancy Rate	70.65%	87.04%	90.46%	90.74%	84.69%
# of Beds	108	108	108	108	108

Projected Utilization – Autumn Care of Mocksville – OY 2					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
FY 2020	10/1/19 – 12/31/19	1/1/20 – 3/31/20	4/1/20 – 6/30/20	7/1/20 – 9/30/20	
NH Beds					
Patient Days	8,188	8,100	8,190	8,280	32,758
Occupancy Rate	92.71%	93.75%	93.75%	93.75%	93.49%
# of Beds	96	96	96	96	96
ACH Beds					
Patient Days	1,012	990	1,001	1,012	4,015
Occupancy Rate	91.67%	91.67%	91.67%	91.67%	91.67%
# of Beds	12	12	12	12	12
Total Facility					
Patient Days	9,200	9,090	9,191	9,292	36,773
Occupancy Rate	92.59%	93.50%	93.52%	93.52%	93.29%
# of Beds	108	108	108	108	108

The applicants provide the assumptions for the above projections in supplemental information received April 28, 2017. The applicants state that they anticipate 70 existing nursing home patients and one existing adult care home patient will transfer to the new location, and that the new location which is much more accessible, along with the less institutional feel of the new location, will result in sustained occupancy levels being achieved for the nursing home beds during the first quarter of the second operating year and for the adult care home beds during the last quarter of the first operating year. The applicants’ assumptions are reasonable and adequately supported.

Thus, the applicants adequately demonstrate the need the identified population has for the proposed services.

Access

In Project I.D. #G-8431-09, the applicant adequately demonstrated the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services. The applicants propose no changes in the current application that would affect that determination.

Conclusion

In the original application, the applicant adequately identified the population to be served, demonstrated the need to relocate and replace an existing 108-bed combination nursing facility, and 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 applicants adequately demonstrate the need for the proposed cost overrun. Consequently, the application is conforming to this criterion.

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

NA

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

In Section II.5, pages 13-14, the applicants describe the alternatives considered prior to submitting this application for the cost overrun, which include:

- Abandon the Project – the applicants state that abandoning the project is not an effective alternative because the original project was approved after demonstrating a need the population had for the relocation and replacement of the existing facility. Additionally, the applicants state that the existing facility is very limited in structure and design and that it has resulted in beds being unused due to the condition of the building.
- Maintain the Status Quo – the applicants state that abandoning the project is not an effective alternative because it does not make sense to invest the capital expenditure amount, over \$11,000,000, into a project which they believe will be inferior with regard to both current and future patient needs.
- Submit the Abridged Cost Overrun Application – the applicants state that this alternative is the most effective alternative because the replacement is being done as part of the effort

to develop “culture changing” environments in new facilities. Additionally, the applicants state that they reduced the number of private rooms, while expanding space for semi-private rooms, and put the project through a “value engineering” review which ultimately saved almost \$160,000 in capital expenditures.

After considering the above alternatives, the applicants state that they determined the project as presented in the application is the most effective alternative to meet the identified need.

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

In summary, the applicants adequately demonstrate that the 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. Omega Healthcare Investors, Inc. and Autumn Corporation shall materially comply with all the conditions of approval on the certificate of need for Project I.D. #G-8431-09, certificate of need application for Project I.D. #G-11295-17, and supplemental information received April 28, 2017. In those instances where representations conflict, Omega Healthcare Investors, Inc. and Autumn Corporation shall materially comply with the last made representation.**
 - 2. The total approved capital expenditure for Project I.D. #G-8431-09 and Project I.D. #G-11295-17 combined is \$12,987,199, an increase of \$3,305,299 over the previously approved capital expenditure of \$9,681,900.**
 - 3. Prior to the issuance of the certificate of need, Autumn Corporation shall provide written documentation confirming that the revolving line of credit with Wells Fargo Capital Finance shall be used for the capital and working capital needs of the project, if necessary.**
 - 4. Omega Healthcare Investors, Inc. and Autumn Corporation shall not acquire, as part of this project, any equipment that is not included in the project’s proposed capital expenditure in Section VI of the application or that would otherwise require a certificate of need.**
 - 5. Omega Healthcare Investors, Inc. and Autumn Corporation shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

CA

The proposed project is for a cost overrun for Project I.D. #G-8431-09.

Capital and Working Capital Costs

The total capital cost is now expected to be \$12,987,199, an increase of \$3,305,299 over the previously approved Project I.D. #G-8431-09 capital cost of \$9,681,900, which is above the allowed 115 percent overage for capital expenditures. The following table compares the previously approved capital cost and the proposed capital cost in this application, as reported on page 39.

Autumn Care of Mocksville – Previously Approved vs. Proposed Capital Expenditures			
Item/Category	Previously Approved Cost	Total Proposed Cost	Total Overrun Cost
Site Prep Costs	\$837,900	\$1,780,468	\$942,568
Other Site Costs	\$1,160,000	\$1,340,000	\$180,000
Construction Contract	\$6,285,000	\$7,743,261	\$1,458,261
Furniture Costs	\$864,000	\$1,423,470	\$559,470
Other Misc. Costs	\$535,000	\$700,000	\$165,000
Total	\$9,681,900	\$12,987,199	\$3,305,299

In Section VII, pages 45-46, the applicants state that they do not project needing funds for start-up expenses or initial operating expenses, but should they need funding that is not projected, an existing line of credit issued through Wells Fargo will be used to provide funding.

Availability of Funds

In Section VI.5, page 42, the applicants state the total capital cost for the project will be funded through funds from stockholders' earnings and/or equity as part of a Real Estate Investment Trust (REIT). Exhibit 10 contains a letter from the Chief Operating Officer of Omega, dated January 7, 2017, confirming Omega's plans to fund the capital expenditure necessary for the project. The letter does not provide a name or title, but a letter dated April 24, 2017, and submitted with supplemental information received April 28, 2017, identified the signatory of the letter in Exhibit 10 as the Chief Operating Officer.

Exhibit 10 also contains a letter from a Relationship Manager with Wells Fargo Capital Finance which states that the bank provides a revolving line of credit to Autumn Corporation in the amount of \$15,000,000. However, the application does not contain a letter from an officer of Autumn Corp. confirming how the money would be used or that it would finance the working capital needs of the project. Therefore, prior to the issuance of the certificate of need, Autumn Corp. shall provide documentation confirming that the revolving line of credit with Wells Fargo Capital Finance shall be used for the capital and working capital needs of the project, if necessary. See Criterion 4, Condition #3 of these findings.

In Exhibit 11, the applicants provide excerpts from the consolidated financial statements for Omega for the years ending December 31, 2015, 2014, 2013, 2012, and 2011. As of December 31, 2015, Omega had total members' equity of \$4,100,865,000. The applicants adequately

demonstrate that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

In the original application, Project I.D. #G-8431-09, the applicant projected that operating expenses would exceed revenues (Form B) in each of the first two project years, FY 2012 and FY 2013, as illustrated in the table below.

Project I.D. #G-8431-09 – Projected Revenues/Operating Expenses		
	FY 2012	FY 2013
Total Patient Days	36,426	36,661
Total Gross Revenues (Charges)	\$6,512,318	\$6,689,899
Total Net Revenue	\$6,642,582	\$6,690,188
Average Net Revenue per Patient Day	\$183	\$183
Total Operating Expenses (Costs)	\$6,573,544	\$6,573,597
Average Operating Expense per Patient Day	\$181	\$180
Net Income	\$69,038	\$116,590

In supplemental information received April 28, 2017, the applicants provide the pro forma financials, Form B, for the cost overrun application’s first three project years, FY 2019 – FY 2021, as summarized below.

Project I.D. #G-11295-17 – Projected Revenues/Operating Expenses			
	FY 2019	FY 2020	FY 2021
Total Patient Days*	33,414	36,804	36,865
Total Gross Revenues (Charges)	\$7,449,696	\$7,909,031	\$7,922,766
Total Net Revenue	\$7,186,265	\$7,656,967	\$7,670,702
Average Net Revenue per Patient Day	\$215	\$208	\$208
Total Operating Expenses (Costs)	\$7,285,865	\$7,393,803	\$7,396,312
Average Operating Expense per Patient Day	\$218	\$201	\$201
Net Income/(Loss)	(\$100,600)	\$263,164	\$274,390

*The total patient days listed here are slightly different than the total patient days listed in the projected utilization; the difference is immaterial and does not affect the final determination in these findings.

The cost overrun application proposes an operational start date of October 1, 2018, which is seven years later than proposed in Project I.D. #G-8431-09. There is an increase in patient charges across all categories due to an increase in expected expenses. In Section VIII.6, page 58, the applicants state the increase in expenses is directly related to personnel costs which have risen during the period of delay for the development of the original project.

Project I.D. #G-8431-09 was determined to be conforming to this criterion with regard to the original proposal. The changes in projected charges, costs, and revenue are immaterial and thus do not affect that determination. The assumptions used by the applicants in preparation of the pro forma financial statements in this cost overrun application are reasonable, including projected utilization, costs, and charges. See Section R of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicants adequately demonstrate that

the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

In summary, the applicants adequately demonstrate the availability of funds for the increased capital needs of the project. Furthermore, the applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. Therefore, the cost overrun application is conforming to this criterion, subject to Condition #3 in Criterion 4.

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

C

On page 191, the 2017 SMFP defines the service area for nursing facility beds as the county where the beds are located. Thus, the service area for Autumn Care of Mocksville consists of Davie County. Facilities may serve residents of counties not included in their service area.

In Project I.D. #G-8431-09, the applicant was approved to relocate and replace the existing 108-bed combination skilled nursing facility. The current application is for a cost overrun for that project. In Project I.D. #G-8431-09, the application was found to adequately demonstrate that the project would not result in unnecessary duplication of existing or approved adult inpatient psychiatric services and no changes are proposed in this application that affect that determination. Consequently, 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 V.1, page 31, the applicants state that while salary costs have increased due to market adjustments, there are no changes in the staffing levels or positions from the original project.

In Project I.D. #G-8431-09, the application was found conforming to this criterion, and the applicants propose no changes in the current application that would affect that determination. The applicants project that revenues will exceed expenses in each of the first two years of the proposed project and adequately demonstrate the availability of funds for the increased operational needs of the project. Consequently, the cost overrun 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 Project I.D. #G-8431-09, the application was found conforming to this criterion, and the applicants propose no changes in the current application that would affect that determination. Consequently, the 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 cost overrun for Project I.D. #G-8431-09. In the original application, the applicant proposed to develop 52 private rooms and 29 semi-private rooms. This cost overrun application proposes to develop 40 private rooms and 34 semi-private rooms. This application also proposes to increase the square footage by less than two percent of the original proposal to add more space in semi-private rooms, incorporates building design changes to be in conformity with Policy GEN-4, and incorporates patient safety and comfort items now considered standard within the industry. Exhibit 5 contains a copy of the

construction proposal. The table below contains the previously approved and the proposed project costs.

Autumn Care of Mocksville Construction Cost			
Item	Previously Approved Cost	Total Proposed Cost	Total Overrun Cost
Estimated SF	57,000	58,106	1,106
Total Construction Cost	\$6,285,000	\$7,743,261	\$1,458,261
Construction Cost per SF	\$110	\$133	\$23
Construction Cost per Bed	\$58,194	\$71,692	\$13,498
Total Project Cost	\$9,681,900	\$12,987,199	\$3,305,299
Total Cost per SF	\$170	\$224	\$54
Total Cost per Bed	\$89,647	\$120,252	\$30,605

In Section II.7, pages 15-16, and Section IX.5, page 63, the applicants describe the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicants adequately demonstrate that the cost, design, and means of construction represents the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. 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;

C

In Project I.D. #G-8431-09, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun application is conforming to this criterion.

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

C

In Project I.D. #G-8431-09, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project I.D. #G-8431-09, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project I.D. #G-8431-09, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the 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 Project I.D. #G-8431-09, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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

Project I.D. #G-8431-09 was approved to relocate and replace an existing 108-bed combination nursing facility. The current application is for a cost overrun to unfavorable market conditions leading to a delay in development. In Project I.D. #G-8431-09, the application was found conforming to this criterion and no changes are proposed in this application that affect that determination. Consequently, the cost overrun 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

The applicants own, lease, or manage 16 skilled nursing or combination nursing facilities in North Carolina. In Project I.D. #G-8431-09, the application was found to be conforming with this criterion. After reviewing and considering information provided by the applicant and by the Nursing Home Licensure and Certification Section and considering the quality of care provided at all facilities, the applicants provide sufficient evidence that quality care has been provided in the past and adequately demonstrated that there is no pattern of substandard quality of care. Therefore, the application is conforming to this criterion.

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

NA

In Project I.D. #G-8431-09, the Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1101 were not applicable to that review, and the applicants propose no changes in the current application that would affect that determination. Consequently, this criterion is not applicable to the cost overrun application.