

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: December 17, 2018

Findings Date: December 17, 2018

Project Analyst: Jane Rhoe-Jones

Assistant Chief: Lisa Pittman

Project ID #: P-11541-18

Facility: PruittHealth – Sea Level

FID #: 180366

County: Carteret

Applicants: PruittHealth – Sea Level, LLC

Pruitt Properties, Inc.

Project: Relocate 104 existing nursing facility beds to a new replacement facility

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, PruittHealth – Sea Level, LLC, and Pruitt Properties, Inc., propose to relocate all 104 existing nursing facility (NF) beds at PruittHealth – Sea Level from their current location at 468 US Highway 70 East in Sea Level, Carteret County to a new replacement facility at 2415 US Highway 70 East in Beaufort, Carteret County.

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 2018 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

Policies

There are three policies applicable to this review: **Policy NH-6: Relocation of Nursing Facility Beds**, **Policy NH-8: Innovations in Nursing Facility Design**, and **Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities**.

Policy NH-6: Relocation of Nursing Facility Beds

Policy NH-6, on page 25 of the 2018 SMFP, states:

“Relocations of existing licensed nursing facility beds are allowed. Certificate of need applicants proposing to relocate licensed nursing facility beds shall:

- 1. Demonstrate that the proposal shall not result in a deficit, or increase an existing deficit in the number of licensed nursing facility beds in the county that would be losing nursing facility beds as a result of the proposed project, as reflected in the North Carolina 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, or increase an existing surplus of licensed nursing facility beds in the county that would gain nursing facility beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

Both the existing location and the proposed location for the 104 NF beds are in Carteret County. Therefore, the application is consistent with Policy NH-6.

Policy NH-8: Innovations in Nursing Facility Design

Policy NH-8, on page 25 of the 2018 SMFP, states:

“Certificate of need applicants proposing new nursing facilities and replacement nursing facilities shall pursue innovative approaches in environmental design that address quality of care and quality of life needs of the residents. These plans could include innovative design elements that encourage less institutional, more home-like settings, privacy, autonomy and resident choice, among others.”

In Section B, page 16, the applicants explain why they believe their application is conforming to Policy NH-8. The applicants state they are increasing the size of both the private and semi-private rooms “above the minimum square footage required by regulation.”

The applicants further state,

“Communities will connect to the main administrative/activity area. The activity area (library, chapel, coffee bar, and cinema) will focus where residents receive services, social interaction, and family support. A main, central courtyard will be available for outdoor activities in a controlled environment.”

The applicants also discuss incorporating more home-like features and meet the demand for clinical excellence; while providing resident independence, dignity and quality of life.

The application is consistent with Policy NH-8.

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

Policy GEN-4, on page 33 of 2018 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 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

In Section B, pages 20-21, the applicants explain why they believe their application is conforming to Policy GEN-4. The applicants provide a written statement of the minimum energy conservation features they will utilize. Additionally, the applicants provide letters from the architect in Tab 7 of Exhibit F.1, which state that the architect will assist in developing plans for water and energy conservation that meet all applicable laws, regulations, and codes.

The application is consistent with Policy GEN-4.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicants adequately demonstrate that the proposal is consistent with Policy NH-6 because the existing and the proposed locations are both in Carteret County.
 - The applicants adequately demonstrate that the proposal is consistent with Policy NH-8 because they adequately document the list of innovative approaches in environmental design to address quality of care and quality of life needs of the residents.
 - The applicants adequately demonstrate that the proposal is consistent with Policy GEN-4 because the application contains a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Furthermore, the applicants state in Section B.10, page 21 that they will submit an energy efficiency and sustainability plan to the Agency’s Construction Section that conforms to or exceeds the State’s requirements.
- (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 propose to relocate all 104 existing nursing facility (NF) beds at PruittHealth – Sea Level from their current location in Sea Level, Carteret County to a new replacement facility in Beaufort, Carteret County.

Patient Origin

On page 183, the 2018 SMFP defines the service area for nursing facility beds as “... *the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.*” Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

In Section C, pages 37-38, the applicants provide historical and projected patient origin, as shown below in the table.

PRUITTHEALTH – SEA LEVEL				
County	Current and Projected Patient Origin			
	Last FFY: 07/01/17 – 6/30/18		Third FFY: 07/01/23 – 06/30/24	
	General NF Beds		General NF Beds	
	# Patients	% of Total	# Patients	% of Total
Carteret	97	71.32%	193	71.32%
Onslow	18	13.24%	36	13.24%
New Hanover	5	3.68%	9	3.68%
Edgecombe	3	2.21%	6	2.21%
Wake	3	2.21%	6	2.21%
Sampson	2	1.47%	4	1.47%
Wilson	2	1.47%	4	1.47%
Anson	1	0.74%	2	0.74%
Brunswick	1	0.74%	2	0.74%
Craven	1	0.74%	2	0.74%
Orange	1	0.74%	2	0.74%
Pender	1	0.74%	2	0.74%
Pitt	1	0.74%	2	0.74%
Total	136	100.00%	270	100.00%

Note: Table does not foot due to rounding.

In Section C.3, page 38, the applicants provide the assumptions and methodology used to project patient origin. The applicants’ assumptions are reasonable and adequately supported.

Analysis of Need

On page 38, the applicants state:

“The number of patients by county origin are based [sic] the historical percentages of patients receiving care at PruittHealth - Sea Level.”

In Section C.4, pages 39-45, the applicants explain why the population projected to utilize the proposed services needs the proposed services.

Carteret County and Craven County Population Growth and Aging (The following information provided by the applicants is based on data from the North Carolina Office of State Budget and Management (NCOSBM).)

Carteret County

- From 2008-2018, Carteret County’s 55+ population grew 29.7% and is projected to grow an additional 12.7% from 2018-2028.
- The 75-84 cohort grew 30.3% from 2008-2018. It is projected to grow 50.1% from 2018-2028.
- The 85+ cohort grew 57.4% from 2008-2018, and is projected to grow 36.1% from 2018-2028.

- The life expectancy of the 65+ population in Carteret County has increased since 1990-1992.

Craven County

- From 2008-2018, Craven County’s 55+ population grew 14.2% and is projected to decrease by 1.6% from 2018-2028.
- The 75-84 cohort grew 9.9% from 2008-2018 and is projected to grow 17.1% from 2018-2028.
- The 85+ cohort grew 49.2% from 2008-2018 and is projected to grow 11.2% from 2018-2028.
- The life expectancy of the 65+ population in Craven County has increased since 1990-1992.

Facility Location and Issues

In Section C.6, pages 47-57, the applicants discuss the need to relocate and replace the 104-bed PruittHealth – Sea Level NF, which is summarized as follows:

- In 2013 a company affiliated with the applicants’ parent company acquired the operations of this facility. The four buildings that comprise the facility are owned by Carteret County.
- The buildings were constructed in 1953, 1960 and 1970. No renovations have been made in the last 25 years.
- The facility is located less than 240 feet from the edge of Nelson Bay which means that the facility continues to be at risk for flooding. The facility is in an area that is in “*Severe Vulnerability to Inundation*” to flooding. *The area is impacted with a minimum rise in sea level.*” Furthermore, the applicants state that all low-lying areas between Beaufort and Sea Level can become impassable, isolating the facility and any other businesses east of Beaufort. (See pages 53-54)
- Based on a “Property Condition Evaluation,” the applicants determined that acquiring the facility and property and subsequent renovations were not a cost-effective option for improving the environment and safety of patients.
- Currently, the facility is operating 64 (62%) of its 104 beds due to a burst waste water pipe. Although the pipe was repaired, the applicants decided not admit patients to those beds, but wait until the replacement facility could be constructed. The applicants provide supporting documentation in Tab 5, Exhibit C.6.

The information is reasonable and adequately supported for the following reasons:

- The applicants provide adequate reasons to support the need the population proposed to be served has for the proposed services.
- The applicants provide reasonable documentation to support the need to relocate the facility due to its age and physical proximity to water sources that are prone to flooding.

Projected Utilization

In Section Q, page 122, the applicants provide historical and projected utilization, as illustrated in the following table.

PRUITTHEALTH-SEA LEVEL Historical and Projected Utilization – FY 2018 - 2022					
	FFY 2018	FFY 2021 Interim YR 3	YR 1 FFY 2022	YR 2 FFY 2023	YR 3 FFY 2024
# General NF Beds*	104	104	104	104	104
Days of Care	18,948	19,528	27,375	33,945	35,868
Occupancy Rate	49.9%	51.4%	72.1%	89.4%	94.5%

*See statement directly below.

In Section B, page 57, the applicants state:

“PruittHealth – Sea Level is currently operating 64 of its 104 NF beds because 40 NF beds were located on a hallway that experienced a domestic wastewater pipe burst. As a result, the hallway was vacated and remained vacant until the repair of the wastewater pipe was fixed. After the repair, although the NF beds are available for occupancy, it was decided to limited [sic] admission to these 40 NF beds until the replacement facility could be constructed.”

In Sections C and Q, and Exhibits C.4, C.6 and C.7, the applicants provide the assumptions and methodology used to project utilization, which are below summarized.

- Projected patient origin is based on historical patient origin. (See page 38)
- Interim Years – continue to utilize 64 beds
- First Three Project Years – availability of 40 additional private rooms will increase average daily census of all payor categories
- Medicaid residents will have access to private rooms rather than only semi-private rooms
- Average daily census (ADC) and occupancy are based on the historical experience of United Health Service-affiliated nursing facilities’ opening new and replacement NFs.
- Over 50 residents will be transferred from the existing facility to the replacement NF during the first week. This will help meet the projected occupancy during the first project year. (See page 59)

Projected utilization is reasonable and adequately supported for the following reasons:

- The applicants account for the existing patients in their projected utilization.
- The applicants rely on their historical experience in constructing replacement nursing facilities and how quickly the beds are occupied.

Access

In Section L.3, page 99, the applicants project the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

PRUITTHEALTH – SEA LEVEL Projected Payor Mix Third Full Fiscal Year (07/01/2023-6/30/2023)		
Payor Source	Patient Days General NF Beds	% of Total Days
Private Pay	2928	8.2%
Medicaid*	18,300	51.0%
Medicare A*	13,542	37.8%
Hospice	366	1.0%
UniHealth	732	2.0%
Other	0	0.0%
Total	35,868	100.0%

*Including any managed care plans

Although the percentage of Medicaid days declines from 78.5% in FY18 to 51% the third operating year (OY), the number of days served is projected to increase from 14,878 days in FY18 to 18,300 days in OY3.

Currently, the applicants are operating 64 of 104 beds. In OY3, all 104 beds will be operational.

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicants adequately identify the population to be served.
- The applicants adequately explain why the population to be served need the services proposed in this application.

- Projected utilization is reasonable and adequately supported.
 - The applicants project the extent to which all residents, including underserved groups, will have access to the proposed services (payer mix) and adequately support their assumptions.
- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

C

The applicants propose to relocate all 104 existing NF beds at PruittHealth - Sea Level from its current location in Sea Level to a new replacement facility in Beaufort.

The applicants do not propose to reduce or eliminate any of the 104 NF beds; rather, the applicants propose to build a replacement facility. The current facility is located at 468 US Highway 70 East in Sea Level, in Carteret County. The proposed site of the new facility is 2415 US Highway 70 East in Beaufort, in Carteret County. Google Maps states distance between the existing facility and the location of the proposed facility is approximately 23.6 miles (33 minutes).

In Section D, page 65, the applicants explain why they believe the needs of the population presently utilizing the services to be replaced and relocated will be adequately met following completion of the project. The applicants state that they are developing a replacement facility that will have 104 beds, the same number as they now have in the existing facility.

On pages 65-66 the applicants state:

“With the completion of the project, all residents and patients currently utilizing Pruitt-Health – Sea Level will be relocated to the replacement nursing facility regardless of race, ethnicity, sex, age, handicapped [sic], or the ability to pay.”

In Section Q, the applicants provide projected utilization. See the discussion regarding projected utilization found in Criterion (3) which is incorporated herein by reference.

The applicants state in B.6, page 30, that the facility will provide an environment consisting of innovative living and community space to allow for an enhanced home-like atmosphere, enhanced care and improved social interaction for all patients. The applicants state:

“PruittHealth - Sea Level will result in a facility better able to provide patient-focused nursing care. ... The project will result in continued high standards of care that keep residents as safe and healthy as possible, while promoting patient-focused ideas that improve residents and patient independence, dignity, and quality life.”

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately demonstrates that:

- The needs of the population currently using the services to be relocated will be adequately met following project completion.
- The project will not adversely impact the ability of underserved groups to access these services following project completion.

- (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

The applicants propose to relocate all 104 existing NF beds at PruittHealth - Sea Level from its current location in Sea Level to a new replacement facility in Beaufort.

In Section E, pages 68-70, the applicants describe the alternatives they considered and explain why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need for NF beds. The alternatives considered were:

- Do Not Submit CON Application – The Carteret County–owned buildings would require significant investments to improve and maintain the buildings. A wastewater pipe burst which has taken 40 beds out of service. The current nursing facility is only 240 feet from the edge of Nelson Bay and is highly susceptible to flooding.
- Develop a Special Care Unit – Most Alzheimer’s patients do not require the level of nursing required at skilled nursing facilities. Other special care unit patients such as brain injury, HIV, ventilator and bariatric are best served in hospital-based nursing facilities, according to the applicants.
- Choose a Different Site in Carteret County - The Town of Beaufort area does not have a nursing facility, while Newport, Morehead City and Sea Level do. Sea Level currently has two nursing facilities, so they will continue to have one nursing facility after Pruitt-Health Sea Level relocates.
- Develop/Relocate a Smaller Number of Beds – The most common size of nursing facilities in Carteret County is in the 91-120 bed range. The applicants already have experience operating a facility of 104 beds. The size of the current facility makes it more feasible to develop wings for private and semi-private rooms.

On pages 68-70, the applicants state that their proposal is the most effective alternative because (1) the Carteret County property was available for a reasonable purchase price because the property is located in an unincorporated area of the county which will mean a lower purchase price; (2) the Town of Beaufort currently does not have a nursing facility; and (3) the new facility is planned for location on US Highway 70 East which is a primary highway and will make geographic access more convenient for residents and their families; (4) There will be no need for demolition because the site is undeveloped; (5) The proposed location across the street from the Town of Beaufort will likely make annexation more likely; (6) Although the proposed property is in a 100-year flood zone, it is ½ mile from the water's edge of North River and 1/3 mile from the water's edge of Newby Creek, unlike its current location close to the water's edge. Thus, the applicants consider their plan to relocate and replace the proposed PruittHealth - Sea Level replacement facility as the most effective alternative. See Tab 5, Exhibit C.6 for supporting documentation.

The applicants adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons.

- The existing facility is old and outdated.
- The existing facility is prone to flooding
- The proposed location is on a major highway and eases access to the replacement NF

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the above stated reasons. Therefore, the application is approved subject to the following conditions:

- 1. PruittHealth – Sea Level, LLC, and Pruitt Properties, Inc. shall materially comply with all representations made in the certificate of need application.**
- 2. PruittHealth – Sea Level, LLC, and Pruitt Properties, Inc. shall relocate 104 existing nursing facility beds to a new replacement facility.**
- 3. Upon completion of the project, PruittHealth – Sea Level shall be licensed for no more than 104 nursing facility beds.**
- 4. For the first two years of operation following completion of the project, PruittHealth – Sea Level, LLC, and Pruitt Properties, Inc. shall not increase private pay charges more than five percent of the projected private pay charges provided in Section Q of the application without first obtaining a determination from the Healthcare Planning and**

Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.

- 5. PruittHealth – Sea Level, LLC, and Pruitt Properties, Inc. shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
 - 6. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, PruittHealth – Sea Level, LLC, and Pruitt Properties, Inc. shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
 - 7. PruittHealth – Sea Level, LLC, and Pruitt Properties, Inc. 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 applicants propose to relocate all 104 existing NF beds at PruittHealth – Sea Level from their current location at 468 US Highway 70 East in Sea Level, Carteret County to a new replacement facility at 2415 US Highway 70 East in Beaufort, Carteret County.

Capital and Working Capital Costs

In Section Q, Form F.1a, pages 123 and 135, the applicants project the total capital cost of the project as shown in the table below.

PRUITTHEALTH – SEA LEVEL Pruitt Properties, Inc. Capital Cost	
Site Costs	\$2,106,149
Construction Costs	\$12,260,987
Miscellaneous Costs	\$3,820,154
Total	\$18,187,290

In Tab 7, Exhibit F.1, pages 257-261, the applicants provide the assumptions used to project the capital cost.

In Section F, page 74, the applicants project no start-up costs and project initial operating expenses will be \$881,233 for a total working capital of \$881,233. On pages 74 and Section Q, pages 127-131, the applicants provide the assumptions and methodology used to project the working capital needs (initial operating cost) of the project.

Availability of Funds

In Section F, page 72, the applicants state that the capital cost will be funded as shown below in the table.

PRUITTHEALTH – SEA LEVEL Sources of Capital Cost Financing		
Type	Pruitt Properties, Inc. (Applicant 2)	Total
Loans	\$13,961,046	\$13,961,046
Accumulated reserves or OE *		
Bonds		
Other (Specify)	\$4,226,244	\$4,226,244
Total Financing	\$18,187,290	\$18,187,290

* OE = Owner's Equity

In Section F, page 75, the applicants state that the working capital needs of the project will be funded as shown below in the table.

PRUITTHEALTH – SEA LEVEL Sources of Financing for Working Capital		Amount
(a)	Loans	
(b)	Equity Transfer from United Health Services, Inc.	\$881,233
(c)	Lines of credit	
(d)	Bonds	
(e)	Total *	\$881,233

The applicants provide supporting documents regarding the availability of these funds in Tab 9, Exhibit F.3, pages 307-348 via a letter from the Senior Vice President of Treasury Management and Treasurer of PruittHealth and Consolidated Financial Statements of United Health Services, Inc.

Financial Feasibility

The applicants provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Forms F.3 and F.5, the applicants project that revenues will exceed operating expenses beginning in the second year of the three operating years of the project, as shown below in the table.

PRUITTHEALTH SEA LEVEL			
	1st Full Fiscal Year	2nd Full Fiscal Year	3rd Full Fiscal Year
Total Patient Days	27,375	33,945	35,868
Total Gross Revenues (Charges)	\$9,725,281	\$14,535,705	\$16,291,549
Total Net Revenue	\$7,226,217	\$10,240,984	\$11,617,232
Average Net Revenue per Patient Day	\$264	\$302	\$324
Total Operating Expenses (Costs)	\$8,107,450	\$10,127,950	\$11,389,955
Average Operating Expense per Patient Day	\$296	\$298	\$318
Net Income	(\$881,233)	\$113,034	\$227,276

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q 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.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicants adequately demonstrate that the capital and working capital costs are based on reasonable and adequately supported assumptions.
- The applicants adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal.
- The applicants adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

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

C

The applicants propose to relocate all 104 existing NF beds at PruittHealth – Sea Level from their current location at 468 US Highway 70 East in Sea Level, to a new replacement facility at 2415 US Highway 70 East in Beaufort. Both locations are in Carteret County.

On page 183, the 2018 SMFP defines the service area for nursing facility beds as “... *the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.*” Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

Table 10A: Inventory of Nursing Home and Hospital Nursing Care Beds in the 2018 SMFP, page 186, lists five existing nursing facilities in Carteret County, with a combined total of 424 nursing facility beds, as shown below in the table.

Carteret County Nursing Facility Beds – 2018 SMFP Inventory		
Facility	Location	# of Beds
PruittHealth-Sea Level	Sea Level	104
Croatan Ridge Nursing & Rehabilitation Center	Newport	64
Crystal Bluffs Rehabilitation & Health Care Center	Morehead City	92
Harborview Health Care Center	Morehead City	122
Snug Harbor on Nelson Bay	Sea Level	42
Total Beds		424

In Section G.3, page 80, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved nursing facility services in the Carteret County service area). The applicants state:

“PruittHealth-Sea Level does not propose the development of new NF beds and as a result of the replacement nursing facility project will not increase the inventory of NF beds in Carteret County.

Currently, only five nursing facilities operate in Carteret County with all operating at over 70% occupancy with the exception of PruittHealth-Sea Level, which is only operating at 50% occupancy due to limiting admissions to 40 NF beds on a hallway where a domestic wastewater pipe was replaced.”

The applicants adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- The proposal would not result in an increase in the number of nursing facility beds.
- The applicants adequately demonstrate that the proposed relocation and replacement of 104 nursing facility beds is needed in addition to the existing or approved nursing facility beds.
- The proposed relocation to Beaufort on a main highway (US 70) will improve access to the facility.

Conclusion

The Agency reviewed the:

- Application
- Photos of the pipe damage in the application
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the above stated reasons.

- (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 Q, Form H, page 132, the applicants provide current and projected staffing for the proposed services as illustrated in the following table.

PRUITTHEALTH SEA LEVEL Current and Projected Staffing				
Position	Current	Projected		
	7/1/17-6/30/18	1st FFY	2nd FFY	3rd FFY
Registered Nurses	4.5	6.2	6.2	6.2
Licensed Practical Nurses	6.3	12.6	15.8	19.0
Aides	17.0	17.0	26.5	36.0
Director of Nursing	1.0	1.0	1.0	1.0
MDS Nurse	1.0	2.0	2.0	2.0
Medical Records	0.5	1.0	1.0	1.0
Dietary	5.3	8.0	8.0	8.0
Social Services	1.0	1.0	1.0	1.0
Activities	1.0	1.0	1.0	1.0
Admissions	1.0	1.0	1.0	1.0
Laundry & Linen	1.0	3.0	3.0	3.0
Housekeeping	5.3	8.0	8.0	8.0
Plant Operation & Maintenance	2.0	1.0	1.0	1.0
Administration	2.0	3.0	3.0	3.0
TOTAL*	48.9	65.8	78.5	91.2

Source: Form H in Section Q of the application

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in Form F.4, which is found in Section Q. In Section H, pages 82-84, the applicants describe the methods to be used to recruit or fill new positions and their existing training and continuing education programs. In Section H, page 85, the applicants identify the current medical director. In Tab 11, Exhibit H.4, the applicants provide a letter from the medical director expressing support for the proposed project and willingness to continue to serve as medical director. In Section H, page 85, the applicants describe their physician recruitment status.

The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the above stated reasons.

- (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 I, page 87-88, the applicants state that the following ancillary and support services are necessary for the proposed services, and will be provided by a PruittHealth affiliate:

- Corporate management and oversight
- Development of policy and procedures
- Employee recruitment and training
- Billing and collections
- Marketing
- Information systems
- Clinical, nursing consultants and support services
- Specialist staff including pharmacists, registered nurses, registered dietitians, infection control, pain management, palliative care, executive chef, etc.
- Accounting, auditing, staff education, risk management, legal, social work, purchasing, quality assurance, third party reimbursement, etc.
- Physical, occupational, speech and respiratory therapy services
- Durable medical equipment (DME)
- Supplies such as urological, intravenous therapy, oxygen, dietary, parental and enteral nutrition, office and housekeeping supplies

On pages 87-88, the applicants adequately explain how each ancillary and support service is and will be made available and provide supporting documentation in Tab 12, Exhibit I.1.

In Section I, page 88, the applicants describe their existing and proposed relationships with other local health care and social service providers and provide supporting documentation in Tab 13, Exhibit I.2.

The applicants adequately demonstrate that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

The applicants do not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicants do not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicants are not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.

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

C

In Section K, page 91, the applicants state that the project involves constructing 68,689 square feet of new space. Line drawings are provided in Tab 14, Exhibit K.1.

In Tab 15, Exhibit K.3, the applicants provide a letter from the project architect which adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal and provide supporting documentation.

On page 92, the applicants adequately explain why the proposal will not unduly increase the costs to the applicants of providing the proposed services or the costs and charges to the public for the proposed services and provide supporting documentation in Section Q.

On page 92, the applicants identify the applicable energy saving features that will be incorporated into the construction plans and provide supporting documentation in Tab 7, Exhibit F.1, pages 258 and 259.

On pages 93-94, the applicants identify the proposed site which they own and provide information about the zoning and special use permits for the site, and the availability of water, sewer, waste disposal and power at the site.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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 Section L, page 97, the applicants provide the historical payor mix for the proposed services during 07/1/2017 to 06/30/2018, as shown below in the table.

PRUITTHEALTH Historical Payor Mix FY 2018		
Payor Category	Days	NF Services as Percent of Total Days
Private Pay	864	4.6%
Medicaid*	14,878	78.5%
Medicare*	2,693	14.2%
Hospice	20	0.1%
UniHealth	493	2.6%
Other	0	0.0%
Total	18,948	100.0%

*Including any managed care plans.

In Section L, page 96, the applicants provide the following comparison.

PRUITTHEALTH Medically Underserved Populations		
	Percentage of Total Patients Served by the Facility During the Last Full FY	Percentage of the Population of the Service Area
Female	59.7%	50.4%
Male	40.3%	49.6%
Unknown	0.0%	0.0%
64 and Younger	34.3%	75.5%
65 and Older	65.7%	24.5%
American Indian	0.0%	0.6%
Asian	0.0%	1.3%
Black or African-American	9.0%	5.5%
Native Hawaiian or Pacific Islander	0.0%	0.0%
White or Caucasian	83.5%	90.1%
Other Race	7.5%	2.5%
Declined / Unavailable	0.0%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately document the extent to which medically underserved populations currently use the applicants' existing services in comparison to the percentage of the population in the applicants' service area which is medically underserved. Therefore, the application is conforming to this criterion.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 98, the applicants state,

“PruittHealth-Sea Level, LLC is not obligated under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons.”

In Section L, page 98, the applicants state that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicants or a related entity and located in North Carolina.

The Agency reviewed the application. Based on that review, the Agency concludes that 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 L, page 99, the applicants project the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown below in the table.

PRUITTHEALTH		
Projected Payor Mix - Third Full Fiscal Year		
07/01/2023 – 06/30/2023		
Payor Category	Days	NF Services as Percentage % of Total Days
Private Pay	2,928	8.2%
Medicaid*	18,300	51.0%
Medicare*	13,542	37.8%
Hospice	366	1.0%
UniHealth	732	2.0%
Other	0	0.0%
Total	35,868	100.0%

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicants project that 8.2% of total services will be provided to self-pay patients, 37.8% to Medicare patients and 51.0% to Medicaid patients. Tab 17, Exhibit L.4 contains the applicants’ charity care policy. Further, the applicants state in Section L, page 100,

“PruittHealth-Sea Level certifies all 104 NF beds as dually certified Medicare/Medicaid beds. These NF beds offer Carteret County 37,960 NF days of care for the combined Medicare/Medicaid populations.”

In Section Q, pages 122, 124-126, the applicants provide the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- Although the percentage of Medicaid days declines from 78.5% in FY18 to 51% in the third operating year, the number of days served is projected to increase from 14,878 days in FY18 to 18,300 days in OY3.
- Currently the applicants are operating 64 of 104 beds. In OY3 all 104 beds will be operational.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

C

In Section L, page 100, the applicants adequately describe the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

C

In Section M, page 102, the applicants describe the extent to which health professional training programs in the area have and will continue to have access to the facility for training purposes and provides supporting documentation in Tab 18, Exhibit M.2, pages 501-504.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and 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 applicants propose to relocate all 104 existing NF beds at PruittHealth - Sea Level from its current location in Sea Level to a new replacement facility in Beaufort. Both locations are in Carteret County.

On page 183, the 2018 SMFP defines the service area for nursing facility beds as “... *the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.*” Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

Table 10A: Inventory of Nursing Home and Hospital Nursing Care Beds in the 2018 SMFP, page 186, lists five existing nursing facilities in Carteret County, with a combined total of 424 nursing facility beds, as shown below in the table.

Carteret County Nursing Facility Beds – 2018 SMFP Inventory		
Facility	Location	# of Beds
PruittHealth-Sea Level	Sea Level	104
Croatan Ridge Nursing & Rehabilitation Center	Newport	64
Crystal Bluffs Rehabilitation & Health Care Center	Morehead City	92
Harborview Health Care Center	Morehead City	122
Snug Harbor on Nelson Bay	Sea Level	42
Total Beds		424

In Section N, page 104, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 104, the applicants state,

“The development of the replacement 104-bed nursing facility will have no impact on existing nursing facilities in Carteret County. After construction, the 104-bed nursing facility will continue to make up only 24.5 percent [104/424] of the total licensed NF beds in Carteret County.

PruittHealth Sea-Level will initially focus on its existing residents as they transfer from the original nursing facility to the replacement nursing facility. Over 70.0 [sic] of Year 1 utilization will be from existing residents and patients of PruittHealth-Sea Level.”

The applicants adequately describe the expected effects of the proposed services on competition in the service area and adequately demonstrate:

- The cost-effectiveness of the proposal (see Sections F and Q of the application and any exhibits)
- Quality services will be provided (see Section O of the application and any exhibits)

- Access will be provided to underserved groups (see Section L of the application and any exhibits)

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency (if applicable)

Based on that review, the Agency concludes that the application is conforming to this criterion for the above stated reasons.

- (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 A, page 11, the applicant identifies the 17 nursing facilities and one adult care home (ACH) located in North Carolina owned, operated or managed by the applicant or a related entity.

In Section O, page 115, the applicants state that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in three of these facilities. According to the files in the Nursing Home Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in three of these facilities; two are back in compliance. 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 the 17 other 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

The applicants propose to relocate all 104 existing NF beds at PruittHealth-Sea Level from their current location in Sea Level to a new replacement facility in Beaufort. The Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100, are not applicable to this review because the applicants do not propose to add new NF beds to an existing facility or to develop a new nursing facility.