

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: May 11, 2018

Findings Date: May 11, 2018

Project Analyst: Celia C. Inman

Team Leader: Fatimah Wilson

Project ID #: G-11466-18

Facility: Arbor Ridge at Stanleyville

FID #: 180100

County: Forsyth

Applicants: Arbor Ridge at Stanleyville, LLC

Project: Acquire and relocate 26 ACH beds to Arbor Ridge at Stanleyville (independent living facility) from The Crest of Clemmons

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 applicant, Arbor Ridge at Stanleyville, LLC proposes to acquire and relocate 26 existing adult care home (ACH) beds from The Crest of Clemmons (The Crest), located at 6010 Meadowbrook Mall Court in Clemmons, to Arbor Ridge at Stanleyville (Arbor Ridge), an existing independent living facility located at 350 Arbor View Lane, Winston-Salem. Both facility locations are in Forsyth County. The applicant intends to develop all 26 beds at Arbor Ridge as a Special Care Unit (SCU) for residents with Alzheimer's/Dementia.

Table 11A of Chapter 11 of the 2018 State Medical Facilities Plan (SMFP) lists The Crest with 96 ACH beds in the inventory of Forsyth County ACH beds. Arbor Ridge is an existing independent living facility and does not currently own or operate any ACH beds.

Following completion of the project, The Crest would be licensed for 70 ACH beds, and Arbor Ridge would be licensed for 26 ACH beds.

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 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

Policy LTC-2: Relocation of Adult Care Home Beds, page 26 of the 2018 SMFP, is applicable to this review.

Policy LTC-2 states:

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

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

Both Arbor Ridge and The Crest are located in Forsyth County. The number of licensed adult care home beds in Forsyth County will not change as a result of the proposed relocation. Therefore, the application is consistent with Policy LTC-2.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, page 33 of the 2018 SMFP, is applicable to this review.

Policy GEN-4 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 improving 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.”

The projected capital cost for the proposal exceeds \$2 million and is less than \$5 million. In Section X.9, page 52, and in a letter from an architect provided in Exhibit 16, the applicant and architect, respectively, state that the project will be designed to comply with the intent of Policy GEN-4, specifically to create a more energy efficient and sustainable building design, with efficient mechanical, electrical and plumbing technologies. Therefore, the application is consistent with Policy GEN-4.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- information publicly available during the review and used by the Agency.

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

- the applicant adequately demonstrates that the proposal is consistent with Policies LTC-2 and GEN-4, and

- the applicant provides a written statement that demonstrates that the project includes an a plan for energy efficiency and water conservation.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to acquire and relocate 26 existing ACH beds from The Crest to Arbor Ridge, an existing independent living facility. Both facility locations are in Forsyth County. The applicant intends to develop all 26 beds at Arbor Ridge as a SCU for residents with Alzheimer's/Dementia. The applicant states that the 26 beds are currently unutilized at The Crest.

Patient Origin

On page 211, the 2018 SMFP defines the service area for ACH beds as *“the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

Arbor Ridge does not currently operate any ACH beds; therefore, it has no historical patient origin for the facility. In Section III.7(a), page 30, the applicant states that because it has never operated The Crest, it is unable to provide specific information about the patient origin at The Crest.

In Section III.7(b), page 30, the applicant provides the projected patient origin for the ACH beds, following the proposed 26-bed acquisition and relocation to Arbor Ridge, as shown in the table below.

County	Projected % of Total ACH Residents
Forsyth	90%
Stokes	3%
Surry	2%
Guilford	2%
Yadkin	1%
Davie	1%
Davidson	1%
Total	100%

In Section III.7(c), pages 30-31, the applicant provides the assumptions used to project patient origin. The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

The applicant operates Arbor Ridge, an independent living facility in Forsyth County. Arbor Ridge does not currently own or operate any ACH beds. In Section III.1, pages 19-20, the applicant describes the need to relocate the 26 existing ACH beds from The Crest to Arbor Ridge. The applicant states that it plans to acquire the 26 ACH beds from an ACH facility that does not have a use for the beds. The applicant further states:

“. . . the adult care home beds will better accommodate the needs of Forsyth County residents by operating as special care unit beds for those with Alzheimer's and dementia as part of an existing independent living facility with high demand.”

The applicant states that Forsyth County has a 925-bed surplus according to the 2018 SMFP. The applicant further states the following factors affect the utilization of the available Forsyth County beds:

- a surplus of semi-private rooms and a deficit of private rooms
- the quality of care provided in the facilities,
- the surplus on non-SCU beds accepting Medicaid, and
- the deficit of private-pay non-SCU beds.

The applicant further discusses the above factors explaining that quality of care is reflected by the occupancy levels and the Adult Care Licensure Section star ratings which can be determined by the data provided in the 2017 License Renewal Applications (LRA), which shows occupancy levels of ACH facilities with 0, 1, or 2 stars have an average occupancy of 46%, facilities with 3-star rating have an average occupancy of 79%, and facilities with 4-star rating have an average occupancy of 88%.

The applicant states:

“There are five facilities in Forsyth County that are 100% private pay. One of those facilities has only SCU beds. The remaining four have an average occupancy of 95%. Even Homestead Hills Assisted Living, which is a 2-star facility, has an average occupancy of 99% due to its 100% private pay status.”

In this application, the applicant proposes that Arbor Ridge will acquire and maintain a 4-star rating from the Adult Care Licensure Section and operate the 26 beds as a SCU, offering private rooms and private-pay as well as Medicaid beneficiary beds, which it believes responds to the ACH utilization needs of Forsyth County.

In Section III.2(b), pages 21-27, the applicant provides statistical data that it says substantiates the need for the SCU Alzheimer’s and dementia beds Forsyth County. (The applicant uses “Dementia” to reference Alzheimer’s and dementia in its discussion.) Table III.2A, page 21, provides the total cases of Dementia in North Carolina by age group, with the total NC cases increasing from 12.5% in 2020 to 31.3% in 2025. Table III.2B, page 22, establishes a prevalence rate by age segment for Dementia in North Carolina and applies that rate to the Forsyth County 2020 population, as projected by the North Carolina Office of State Budget and Management (NC OSBM), resulting in an estimate of 6,483 Forsyth County residents 65 and older suffering from Dementia in 2020.

The applicant provides further data that estimates the number of Forsyth County Dementia sufferers who will require significant care (24-hour supervision) and those requiring partial supervision and assistance with a certain number of activities of daily living, resulting in 3,623 Forsyth County residents ages 50 and over with moderate to severe Dementia (page 26). The applicant states that not all those individuals will need access to SCU beds, and assumes the Alzheimer’s Association’s estimate of 22% (page 26) as representative of the number of Forsyth County Dementia sufferers who are likely to take advantage of SCU services ($3,623 \times 0.22 = 797$).

The applicant states that a comparison of the 2020 Forsyth County Dementia sufferers seeking SCU services (797) with the number of SCU beds available in Forsyth County (411)¹ shows a deficit of 386, or a need for 386 additional SCU beds.

Because the applicant proposes to relocate the licensed, but unutilized ACH beds from The Crest in Forsyth County to Arbor Ridge, which is an independent living community in Forsyth County, the proposed relocation will not increase the number of licensed ACH beds in Forsyth County and will not have any impact on the surplus of ACH beds in Forsyth County identified in the 2018 SMFP. However, the relocation would provide the independent living residents at Arbor Ridge with an opportunity to age in place. As the applicant states in Section III.3, page 28, the Arbor Ridge independent living residents do not currently have *“any aging in place capability.”* The proposed project will provide that capability.

¹ <https://www2.ncdhhs.gov/dhsr/acls/pdf/sculist.pdf> DHHS DHSR Long Term Care System Facilities with Special Care

In Section III.6, page 29, the applicant states that it must currently refer residents who develop moderate to severe Alzheimer’s and dementia to other facilities as a result of not having a special care unit on site. The applicant further states:

“Adding the 26 beds would allow Arbor Ridge at Stanleyville to better accommodate area residents who are in search for special care unit services. Furthermore, as an independent living facility, Arbor Ridge at Stanleyville is more capable of addressing the needs of those who wish to age in place.”

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

- the applicant uses historical data that is clearly cited and reasonable demographical data based on location of the facility to make the assumptions with regard to identifying the population to be served, and
- the applicant uses Agency accepted methodologies and reasonable assumptions to demonstrate the need the population projected to be served has for the proposed services.

Projected Utilization

Arbor Ridge does not have historical utilization to report because it currently does not own or operate any ACH beds. In Section IV.1, page 32, the applicant provides The Crest’s 2016 annual patient days utilized (19,985) for 96 licensed beds from its 2017 LRA, averaged into monthly patient days of 1,665. In Section IV.2, page 33, the applicant provides projected utilization for the first two operating years following project completion, as shown in the table below:

ARBOR RIDGE AT STANLEYVILLE PROJECTED UTILIZATION ADULT CARE HOME DAYS		
	1ST FULL YEAR CY2020	2ND FULL YEAR CY2021
Adult Care Home Beds (excluding Special Care Unit)		
Patient Days	0	0
Occupancy Rate	0%	0%
Number of Beds	0	0
ACH Special Care Unit		
Patient Days	6,023	8,760
Occupancy Rate	63.46%	92.31%
Number of Beds	26	26
Total Adult Care Home Beds		
Patient Days	6,023	8,760
Occupancy Rate	63.46%	92.31%
Number of Beds	26	26

As shown in the table above, the applicant projects the 26 ACH beds will operate at 92.31% of capacity [(8,760 days / 365 days per year) / 26 beds = 0.9231] in the second year of operation. In Section IV.3, pages 33-34, the applicant describes its assumptions for projecting utilization as follows:

- the combination of admissions through the independent living facility and active marketing several months before the facility opens will result in a wait list of residents prior to opening,
- the facility will open with six residents, and
- two new residents will move into the ACH each month until the occupancy level reaches 92%.

The applicant states that it based its assumptions on the experience of Ridge Care, its management company, which manages nine ACH facilities with SCUs in North Carolina. Compared to the management company's previous experience, as noted in the application, the assumptions, including the projected fill up rate, are conservative.

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

- the applicant bases projected utilization upon historical management company data and the applicant's experience in providing the proposed service, and
- the applicant applies reasonable growth assumptions.

Access

In Section VI.5, page 38, the applicant states that the facility will serve underserved groups, such as those relying on Medicaid, who qualify for special care unit services and that potential residents will not be discriminated against with regard to payor source, age, racial/ethnic origin, gender, handicap, sex, or medical diagnosis. In Section VI.2, page 36, the applicant projects that 62.5 percent of ACH patient days will be provided to private pay patients, and 37.5% of patient days will be provided to Medicaid patients in the second operating year (CY2021).

The projected payor mix is reasonable and adequately supported for the following reasons:

- the applicant uses historical data of its independent living residents, management company experience, and reasonable demographical data based on location of the facility with regard to projecting patient origin, and
- the applicant uses historical data, management company experience, and demographical data based on location of the facility to project the extent to which all residents of the area, including underserved groups are likely to have access to the services proposed.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- information publicly available during the review and used by the Agency.

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

- The applicant adequately identifies the population to be served.
 - The applicant adequately explains why the population to be served needs the services proposed in this application.
 - Projected utilization is reasonable and adequately supported.
 - The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its 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 applicant proposes to acquire and relocate 26 existing ACH beds from The Crest to Arbor Ridge. Both facility locations are in Forsyth County. The Crest is an existing assisted living facility in Clemmons, NC with 96 ACH beds. The applicant states that the 26 beds are currently unutilized at The Crest. Arbor Ridge is an existing independent living facility in Winston-Salem, NC and does not currently own or operate any ACH beds. Therefore, following completion of the project, The Crest would be licensed for 70 ACH beds, and Arbor Ridge would be licensed for 26 ACH beds. No residents at The Crest will be displaced by the relocation of the beds because the facility is unable to fully utilize its licensed capacity (see discussion in Section III.1, page 19-20). The total number of licensed ACH beds in Forsyth County remains unchanged. The relocation of 26 ACH beds from The Crest to Arbor Ridge will have no negative impact on the ability of Forsyth County residents to obtain ACH services. Rather, the proposed project will develop Arbor Ridge's ACH bed capacity to serve its independent living residents and other Forsyth County residents with memory care needs by relocating the unutilized ACH beds.

In Section VI.5, page 38, the applicant states:

“The applicant proposes a new facility that will allow for the highest quality of care available. Underserved groups, such as those relying on Medicaid, who qualify for special care unit services, will be served by the new facility in special care unit rooms designed to accommodate dual occupancy without regard to payor source.”

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- information publicly available during the review and used by the Agency.

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

- the applicant adequately demonstrates that the needs of the population presently served will be met adequately by the proposed relocation of services, and
 - the applicant adequately demonstrates that the proposal will not adversely affect the ability of underserved groups to obtain needed health care.
- (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 applicant proposes to acquire and relocate 26 existing ACH beds from The Crest to Arbor Ridge, an existing independent living facility. Both facility locations are in Forsyth County. The applicant intends to develop all 26 beds at Arbor Ridge as a SCU for residents with Alzheimer’s/Dementia. The applicant states that the 26 beds are currently unutilized at The Crest.

In Section III.3, pages 27-28, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Build a Stand-alone Facility - The applicant states this alternative does not fit the applicant’s belief in the concept of aging in place and providing better long-term accommodations for the Arbor Ridge independent living residents and local residents who may need those services.
- Build an Addition to the Existing Facility in Kernersville– the applicant states that it already has an adult care home across the street from its independent living facility in

Kernersville; therefore those residents can age in place. This alternative does not address the need for the Arbor Ridge residents to age in place.

After considering the alternatives, the applicant determined that a larger facility that encompasses independent living and ACH services, providing the Arbor Ridge residents with a facility in which they could age in place, would allow for better economies of scale and promote a more solid fiscal foundation, resulting in the most effective alternative to meet the identified need.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- 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 reasons stated above. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

- 1. Arbor Ridge at Stanleyville, LLC shall materially comply with all representations made in the certificate of need application and any supplemental responses. In the event that representations conflict, Arbor Ridge at Stanleyville, LLC shall materially comply with the last made representation.**
- 2. Arbor Ridge at Stanleyville, LLC shall acquire and relocate no more than 26 adult care home beds from The Crest of Clemmons to Arbor Ridge at Stanleyville, for a facility total of no more than 26 adult care home beds, which may be a special care unit if a Special Care Unit Moratorium Exception is granted, following completion of the project.**
- 3. Approval by the Healthcare Planning and Certificate of Need Section to develop the proposed special care unit beds means only that the applicant is authorized to construct the proposed special care unit beds. It does not mean that the applicant will be able to obtain a license for the special care unit beds if a moratorium on licensure of special care unit beds is still in effect. In that instance, the applicant would need to demonstrate that they meet the criteria for an exception and it be granted by the Secretary of the Department of Health and Human Services.**
- 4. Arbor Ridge at Stanleyville, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**

5. For the first two years of operation following completion of the project, The Arbor Ridge at Stanleyville, LLC shall not increase private pay charges more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.
 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, Arbor Ridge at Stanleyville, LLC 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. Arbor Ridge at Stanleyville, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to acquire and relocate 26 existing ACH beds from The Crest to Arbor Ridge. The applicant proposes to construct a SCH addition to accommodate the 26 beds.

Capital and Working Capital Costs

In Section VIII.1, page 43, the applicant states the total capital cost for the proposed project, as shown in the following table.

Site Costs	\$40,000
Construction Costs	\$2,243,970
Equipment/Furniture Costs	\$150,000
Consultant Fees	\$75,000

Total	\$2,508,970
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In supplemental information requested during the expedited review of this application, the applicant provides information on the working capital and initial operating needs of the new ACH beds. The applicant projects that start-up costs will be \$72,500 and initial operating expenses will be \$6,747, for a total working capital of \$79,247. The applicant also provides the assumptions and methodology used to project the working capital needs of the project in the supplemental information.

Availability of Funds

In Section VIII.2, page 44, the applicant states the project capital costs will be funded by a commercial loan. In Exhibit 11, the applicant provides a letter dated February 14, 2018, from BB&T Senior Vice President documenting BB&T’s intention to provide \$2,508,970 to finance the proposed project. Exhibit 12 contains the amortization schedule for the loan. In supplemental information requested during the expedited review of this application, the applicant provided information relative to the working capital needs of the project, stating:

“The working capital for this project will be provided through the revenues of the existing independent living facility at Arbor Ridge at Stanleyville. The facility has been operating since October of 2011, and has been average [sic] approximately a 95% occupancy rate. The Applicant is the owner of the independent living facility portion. It and the proposed adult care addition will share some staff, many other expenses, and will make up for any revenue shortfalls in the startup and initial operating period.”

The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

In Section IX.6, Form B, (see Section XII of the application), the applicant provides projected revenues and operating expenses for the first two years of operation following completion of the project, as shown in the table below.

	First Full CY2020	Second Full CY2021
Total Resident Days	6,023	8,760
Average Net Revenue Per Resident Day	\$160.48	\$160.58
Total Net Revenue	\$966,600	\$1,406,700
Total Operating Expenses	\$578,797	\$698,208
Average Operating Expense per Resident Day	\$96.10	\$79.70
Net Income (Loss)	\$387,803	\$708,492

As shown in the table above, the applicant projects that revenues will exceed total operating costs in the first and second operating years. In Section IX3, Tables IX.2A, page 48, the applicant projects that the CY2020 per diem reimbursement rate/charge will be \$193.97 for private pay patients in a private room and \$88.77 for State/County special assistance in a semi-private room. The applicant further projects that the per diem reimbursement rate/charge for private pay will increase by \$10 in CY2021, the second operating year. However, the instructions state, “charges and rates will not be inflated to future operating years”, therefore the second operating year’s revenue and net income would be reduced somewhat by the uninflated charges; however, revenues would still exceed expenses.

In the supplemental information requested during the expedited review of this application, the applicant provides corrected Forms B and C, holding the rates constant in future operating years and showing corrected staffing costs. The corrected projected revenues and operating expenses for the first two years of operation following completion of the project are as shown in the table below.

	First Full CY2020	Second Full CY2021
Total Resident Days	6,023	8,760
Average Net Revenue Per Resident Day	\$160.48	\$154.52
Total Net Revenue	\$966,600	\$1,353,600
Total Operating Expenses	\$702,585	\$923,551
Average Operating Expense per Resident Day	\$116.65	\$105.43
Net Income (Loss)	\$264,015	\$430,049

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, and corrected costs and charges. See Form C in Section 12 and Exhibit 17 of the application for the assumptions used regarding operating costs. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- 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 following reasons:

- the applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions,

- the applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal, and
 - the applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the project 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 applicant proposes to acquire and relocate 26 existing ACH beds from The Crest to Arbor Ridge. Both facility locations are in Forsyth County. The Crest is an existing assisted living facility in Clemmons, NC with 96 ACH beds. The applicant states that the 26 beds to be acquired are currently unutilized at The Crest. Arbor Ridge is an existing independent living facility in Winston-Salem, NC and does not currently own or operate any ACH beds. Therefore, following completion of the project, The Crest would be licensed for 70 ACH beds, and Arbor Ridge would be licensed for 26 ACH beds.

On page 211, the 2018 SMFP defines the service area for ACH beds as *“the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2018 SMFP indicates that there are currently a total of 34 facilities in Forsyth County with licensed ACH beds. The table below is a summary of the total facilities and ACH beds in Forsyth County, from the 2018 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 925 ACH beds in 2021 for Forsyth County.

2018 ACH INVENTORY AND 2021 NEED PROJECTIONS FOR FORSYTH COUNTY	
# ACH Facilities	34
# Beds in ACH Facilities	2,005
# Beds in Nursing Facilities	224
Total Licensed Beds	2,229
# CON Approved Beds (License Pending)	24
Total # Available	2,253
Sum of Exclusions	21
Total # in Planning Inventory	2,232
Projected Bed Utilization Summary	1,307
Projected Bed Surplus (Deficit)	925

The applicant does not propose to develop new ACH beds, but rather to relocate 26 existing unutilized ACH beds, currently located at The Crest, to the independent living facility at Arbor Ridge. There will be no increase in the inventory of ACH beds in Forsyth County.

The applicant adequately demonstrates its proposal would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in Forsyth County based on the following analysis:

- the applicant uses Agency accepted methodologies and reasonable assumptions to identify the projected population to be served,
- the applicant uses Agency accepted methodologies and reasonable assumptions to demonstrate the need the projected population has for the proposed services,
- the projected utilization is based on reasonable and adequately supported assumptions, and
- the applicant adequately demonstrates that the number of licensed ACH beds in Forsyth County will not increase.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- 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 reasons state above.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

In Section VII.2, page 40, the applicant provides a table showing projected staffing for the proposed ACH beds in the second operating year (CY2021), totaling 21.9 full-time equivalent (FTE) positons, as summarized below.

Proposed ACH SCU Beds	FTEs
Routine Services	
Supervisor	3.0
Nurse	1.0
PC Aides	7.0
Dietary	
Supervisor	0.5
Cooks	1.4
Dietary Aides	3.0
Activity Services	
Activity Director	1.0
Housekeeping/Laundry Services	
Housekeeping Supervisor	0.5
Housekeeping Aides	2.0
Operation & Maintenance	
Supervisor	0.5
Admin & General	
Administrator	0.5
Administrative Secretary	0.5
Admissions Coordinator	1
Total FTE Positions	21.9

In Section VII.4, page 41, the applicant states:

“All Arbor Ridge at Stanleyville staff will remain at Arbor Ridge at Stanleyville for the foreseeable future. The facility Medical Director will be provided by Doctors Making Housecalls, which provides the Medical Directors for all the facilities managed by Ridge Care.”

The pro forma financial statements provided in the application do not include adequate expense to cover the staffing as projected on page 40. In supplemental information requested during the expedited review of this application, the applicant provides corrected projected staffing costs for years one and two and also provides corrected Forms B and C, as discussed in Criterion (5). The applicant also describes the methods to be used to recruit or fill new positions and its training and education programs in the supplemental information. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

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

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- information which was publicly available during the review and used by the Agency.

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section II.1, pages 9-13, the applicant describes the ancillary and support services that will be provided by the facility or made available through agreements with other providers. Exhibit 8 contains a January 5, 2018 letter addressed to Wake Forest Baptist Medical Center expressing an interest in executing a transfer agreement with the hospital. Exhibit 9 contains letters addressed to local physicians expressing an interest in working with the physician. The applicant adequately demonstrates that the necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- 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.

- (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 applicant does 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 applicant does 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, this criterion 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 applicant is not a HMO. Therefore, this criterion 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

The applicant proposes to acquire and relocate 26 existing ACH beds from The Crest to Arbor Ridge, an existing independent living facility. Exhibits 14 and 15 contain the site plan and the preliminary drawings, respectively, for the proposed 13,562 square foot ACH addition to Arbor Ridge. Exhibit 16 includes a letter from an architect in which he estimates that construction costs for the proposed facility will be approximately \$2,243,970 with site preparation costs of \$40,000. The letter also describes the proposed project's plan to assure

improved energy efficiency and water conservation. On pages 27-28, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal and how the project will not unduly increase the costs of providing the proposed services to the public. Supporting documentation is provided in Exhibits 14, 15, and 16.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- 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 reasons stated above.

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

Arbor Ridge at Stanleyville is an independent living facility in Forsyth County and does not currently operate any ACH beds.

- (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

Arbor Ridge at Stanleyville is an independent living facility in Forsyth County and does not currently operate any ACH beds. In Section VI.4, page 37, the applicant

states that no civil rights access complaints have been filed against the Arbor Ridge facility.

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

C

In Section VI.3, pages 36-37, the applicant states:

“Persons whose health, habilitative, or rehabilitative needs cannot be met by the services offered by the facility will not be admitted. Otherwise, as long as beds are available in appropriate rooms: all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, or sex; and all routine and specialized services area available to persons regardless of their race, color, creed, age, national origin, handicap, sex, or source of payment.”

On page 36, the applicant provides projected patient days by payor for the second operating year (CY2021), as shown in the following table:

Payor Category	ACH Percent of Patient Days (excluding SCU)	SCU Percent of Patient Days	Total ACH Percent of Patient Days
Private Pay	0.0%	62.5%	62.5%
Special Assistance/Enhanced Medicaid	0.0%	37.5%	37.5%
Total	0.0%	100.0%	100.0%

As shown in the table above, the applicants project that 62.5% of total ACH patient days will be provided to private pay patients. In Section VI.1, page 36, the applicant states that the payor mix is based on the existing payor mix at The Crest, as submitted on its 2017 LRA. In Section VI.5, page 38, the applicant states:

“Underserved groups, such as those relying on Medicaid, who qualify for special care unit services, will be served by the new facility in special care unit rooms designed to accommodate dual occupancy without regard to payor source.”

The applicant adequately demonstrates that medically underserved populations will have access to the proposed services. The projected payor mix is reasonable and adequately supported for the following reasons:

- the applicant uses historical data of its independent living residents, management company experience, and reasonable demographical data based on location of the facility with regard to projecting patient origin, and
- the applicant uses historical data, management company experience, and reasonable demographical data based on location of the facility to project the extent to which all residents of the area, including underserved groups are likely to have access to the services proposed.

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- 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 V.4, page 35, the applicant describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- 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.

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

C

In Section V.1, page 35, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit 8.

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the applicant demonstrates the proposed services will accommodate the needs of clinical health professional training programs in the area. Therefore, the application is conforming to this criterion.

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

C

The applicant proposes to acquire and relocate 26 existing ACH beds from The Crest to Arbor Ridge. Both facility locations are in Forsyth County. The Crest is an existing assisted living facility in Clemmons, NC with 96 ACH beds. The applicant states that the 26 beds are currently unutilized at The Crest. Arbor Ridge is an existing independent living facility in Winston-Salem, NC and does not currently own or operate any ACH beds. Therefore, following completion of the project, The Crest would be licensed for 70 ACH beds, and Arbor Ridge would be licensed for 26 ACH beds.

On page 211, the 2018 SMFP defines the service area for ACH beds as *“the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Forsyth County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2018 SMFP indicates that there are currently a total of 34 facilities in Forsyth County with licensed ACH beds. The table below is a summary of the total facilities and ACH beds in Forsyth County, from the 2018 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 925 ACH beds in 2021 for Forsyth County.

2018 ACH INVENTORY AND 2021 NEED PROJECTIONS FOR FORSYTH COUNTY	
# ACH Facilities	34
# Beds in ACH Facilities	2,005
# Beds in Nursing Facilities	224
Total Licensed Beds	2,229
# CON Approved Beds (License Pending)	24
Total # Available	2,253
Sum of Exclusions	21
Total # in Planning Inventory	2,232
Projected Bed Utilization Summary	1,307
Projected Bed Surplus (Deficit)	925

The applicant does not propose to develop new ACH beds, but rather to relocate 26 existing unutilized ACH beds, currently located at The Crest, to the independent living facility at Arbor Ridge. There will be no increase in the inventory of ACH beds in Forsyth County.

In Section VI.5, page 38, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the services area will promote cost-effectiveness, quality and access to the proposed services. On page 38, the applicant states:

“This new facility would bring more choice to the residents of Forsyth County. . . . Additionally, the proposed facility will prove more cost effective because it will provide a higher quality of care in exchange for the same Medicaid rates the other facilities are receiving.”

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- the cost-effectiveness of the proposal (See Sections VIII and XII of the application and any exhibits),
- quality services will be provided (See Sections II and III and any exhibits), and
- access will be provided to underserved groups (see Section VI of the application and any exhibits).

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application,
- supplemental responses to requests for clarifying information, and
- 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 reasons stated above.

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

C

In Section II.3(a), page 18, the applicant states that it is a single-purpose entity that does not own any other facilities in North Carolina. The applicant further states;

“Ridge Care, which will manage the operations of the facility, currently manages the adult care homes listed in the Table below.”

The table lists nine North Carolina facilities, including Arbor Ridge, and shows only one facility with a Type A violation and a penalty. The applicant states:

“Type A2 violation was issued to Chatham Ridge Assisted Living on 12/8/2016 for the following reason: facility failed to provide supervision for a resident in accordance with current symptoms of respective fall resulting in injury. The violation was not appealed; the facility complied with a plan of correction, and the penalty amount was paid in full on 12/22/2016.”

According to the files in the Adult Care Licensure Section, DHRS, during the 18 months immediately preceding the submittal of this application through the date of the decision, one violation related to quality of care occurred at one of the applicant-related facilities. As of the date of this decision, the problem had been corrected. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all five facilities, the applicants provided sufficient evidence that quality care has been provided in the past.

The applicant provides sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming with 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 Criteria and Standards for Nursing Facility or Adult Care Home Facility Services promulgated in 10A NCAC 14C .1100 are not applicable because the applicants do not propose to establish new adult care home beds.