

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: October 30, 2018

Findings Date: October 30, 2018

Project Analyst: Julie M. Faenza

Team Leader: Fatimah Wilson

Project ID #: F-11539-18

Facility: Wexford House

FID #: 980529

County: Lincoln

Applicants: DePaul Adult Care Communities, Inc.
Community Facilities, Inc.

Project: Relocate 20 adult care home beds from Cardinal Healthcare and Rehabilitation Center for a total of 80 adult care home beds

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §131E-183(a) The Agency shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

The applicants, DePaul Adult Care Communities, Inc. (DePaul) and Community Facilities, Inc. (Community Facilities), own and operate Wexford House (Wexford), a 60-bed adult care home (ACH) facility located in Lincoln County. The applicants propose to relocate 20 ACH beds from Cardinal Healthcare and Rehabilitation Center (Cardinal), also located in Lincoln County, for a total of 80 ACH beds at Wexford and no remaining ACH beds at Cardinal following completion of the proposed project.

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, there are no need determinations applicable to this review.

Policies

There is one policy in the 2018 SMFP which is applicable to this review: **Policy LTC-2: Relocation of Adult Care Home Beds.**

Policy LTC-2: Relocation of Adult Care Home Beds, on page 26 of the 2018 SMFP, 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 a contiguous county 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 Wexford and Cardinal are located in Lincoln County. Therefore, the application is conforming with Policy LTC-2.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that because both Wexford and Cardinal are located in Lincoln County, the application is conforming to Policy LTC-2, and is therefore conforming to this criterion.

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

C

The applicants propose to relocate 20 ACH beds from Cardinal, in Lincoln County, to their existing 60-bed ACH facility, Wexford, also located in Lincoln County. Cardinal is a combination skilled nursing facility. According to the 2018 SMFP, Cardinal currently has 63 nursing facility (NF) beds and 20 ACH beds. Once the proposed project is complete, Wexford will have 80 ACH beds and Cardinal will not have any remaining ACH beds.

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 Tyrrell, are considered a combined service area.*” Thus, the service area for this project is Lincoln County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

Wexford – Current and Projected Patient Origin				
County	Current – CY 2017		Projected – 3rd Full FY – CY 2022	
	# Patients	% Patients	# Patients	% Patients
Lincoln	53	93.0%	71	92.2%
Catawba	2	3.5%	3	3.9%
Gaston	2	3.5%	3	3.9%
Total	57	100.0%	77	100.0%

Source: Section C, page 23

In Section C, page 23, the applicants provide the assumptions and methodology used to project its patient origin. The applicants’ assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 23-24, the applicants explain why they believe the population projected to utilize the proposed services needs the proposed services. The applicants state:

- The 20 ACH beds currently at Cardinal are not being used and thus are not serving any patients (page 23).

- Relocating the beds to Wexford would take ACH beds that are not currently utilized and put them into use to serve patients that need the services (pages 23-24).
- Wexford has a historical occupancy rate of over 90 percent and projects to reach over 96 percent of capacity with the relocated beds by the end of the second full fiscal year (page 24).

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

- The applicants state that the 20 ACH beds in Cardinal are not currently in use. The Project Analyst reviewed the License Renewal Applications (LRAs) Cardinal submitted to the Agency between 2013 and 2018. The Project Analyst found that during the time period between September 30, 2012 and September 30, 2015, Cardinal reported an ACH bed patient census no higher than six patients, and reported no ACH bed patient census on its 2017 and 2018 LRAs. The Project Analyst reviewed the inpatient days of care reported by Cardinal on each of its LRAs and found that the data reported by Cardinal supports the statement that the ACH beds at Cardinal are not currently in use.
- The applicants state that Wexford has had a historical occupancy rate of over 90 percent. The Project Analyst reviewed the LRAs Wexford submitted to the Agency between 2013 and 2018. The Project Analyst found that during the time period between September 30, 2012 and September 30, 2017, Wexford reported a patient census between 53 patients and 57 patients, and the average annual occupancy rate, based on the reported patient census, was 90.8 percent. The Project Analyst also reviewed the number of paid bed days reported by Wexford on each of its LRAs and found that the average annual occupancy rate across the five year period covered by the LRAs, based on the number of paid bed days, was 94.7 percent.
- Despite the 2018 SMFP showing a projected surplus of 83 ACH beds for Lincoln County, the applicants' historical utilization adequately demonstrates the need the population projected to utilize the proposed services has for the proposed services.

Projected Utilization

In Section Q, the applicants provide historical and projected utilization, as shown in the table below.

Wexford – Historical, Interim, and Projected Utilization – CYs 2017 – 2022						
	Historical	Interim		Projected		
	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
# ACH Beds	60	60	60	80	80	80
Days of Care	20,817	21,412	21,412	25,141	28,105	28,105
Occupancy Rate	95.05%	97.77%	97.77%	85.86%	96.25%	96.25%

In Section Q and in supplemental information, the applicants provide the assumptions and methodology used to project utilization, which are summarized below.

- Historical utilization is based on actual documented utilization.
- Utilization for CY 2018 is annualized based on data from January 1, 2018 through June 30, 2018.
- Utilization for CY 2019 is identical to CY 2018, with no growth forecasted.
- Utilization for CY 2020 is based on an anticipated ramp-up period of admissions and subsequent stabilization after 10 months.
- Utilization for CYs 2021 and 2022 is based on the stabilized occupancy rate.
- Utilization projections for CY 2020 account for 366 days due to leap year.
- After a previous application to relocate 19 ACH beds to Rolling Ridge Assisted Living, the applicants documented 16 admissions in the first 13 weeks that the facility was open. The same facility, including the 19 relocated ACH beds, averaged more than 98 percent occupancy during CY 2016.

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

- Projected utilization is based on the applicants' experience with occupancy at the existing facility.
- Projected utilization is based on the applicants' experience with occupancy at facilities following the addition of relocated ACH beds.
- Wexford's historical LRAs support the projected utilization.

Access

In Section C, pages 25-26, the applicants describe the access low-income people, racial and ethnic minorities, women, disabled people, the elderly, and underserved groups will have to the proposed services, and state that their answers are based on their current patient census. On page 26, the applicants state:

“Wexford House does not discriminate against any persons that need the services offered by the facility but the above groups encompass all of the patients the facility expects to have. Wexford House will allow other underserved groups if the situation arises.”

In Section L, page 52, the applicants project that 36.4 percent of paid bed days will be private pay and 63.6 percent of paid bed days will be covered by State/County Special Assistance in

the third full fiscal year (CY 2022) following completion of the project. The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- 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 needs 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 (payor 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 20 ACH beds from Cardinal to their existing 60-bed ACH facility, Wexford. Both facilities are in Lincoln County. Once the proposed project is complete, Wexford will have 80 ACH beds and Cardinal will not have any remaining ACH beds.

The applicants propose to relocate 20 existing ACH beds from Cardinal. Cardinal is a combination skilled nursing facility. According to the 2018 SMFP, Cardinal has 63 NF beds and 20 ACH beds.

In Section D, pages 30-31, the applicants explain why they believe the needs of the population presently utilizing the services to be reduced, eliminated, or relocated will be adequately met following completion of the project. On page 30, the applicants state:

“[Cardinal] is not currently operating or admitting patients to the ACH beds that are to be relocated so there are no patients currently utilizing the existing 20 ACH beds.”

The Project Analyst reviewed the six most recent LRAs for Cardinal and found that the data submitted to the Agency by Cardinal supports the applicants’ contention that the 20 ACH beds are not currently in use. See Criterion (3) for the discussion regarding need which is incorporated herein by reference.

In Section D, page 31, the applicants state:

“...the relocation of the beds to the Applicants’ existing Wexford House facility can only have a positive effect on the [medically underserved] groups. There are currently five patients on the waiting list for Wexford House and, assuming the waiting list is relatively stable over time in Lincoln County, then the additional beds would avail these groups better access upon opening at Wexford House. Furthermore, since the Applicants are proposing to admit primarily Special Assistance patients, the groups of Low Income Persons and Medicaid Recipients would benefit the most. In admitting Low Income Persons and Medicaid Recipients, the Applicants do not discriminate in any way against Racial and Ethnic Minorities, Women, Handicapped Persons, the Elderly, or Medicare Beneficiaries.”

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 applicants adequately demonstrate that:

- The needs of the population currently using the services to be reduced, eliminated, or 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 20 ACH beds from Cardinal to their existing 60-bed ACH facility, Wexford. Both facilities are in Lincoln County. Once the proposed project is complete, Wexford will have 80 ACH beds and Cardinal will not have any remaining ACH beds.

In Section E, page 33, 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. The alternatives considered were:

- Maintain the Status Quo – The applicants state that this alternative is ineffective since no patients are being served if the beds remain unused at Cardinal.
- Build a New 20-Bed ACH Facility – the applicants state that while this alternative is feasible, it is not as cost effective to build a new facility as it is to add the relocated ACH beds onto an existing facility, which already has many of the ancillary and support services in place.

On page 33, the applicants state this proposal is the most effective alternative because it is the most cost-effective option to add a wing onto the existing Wexford facility, with its existing administrative, ancillary, and support services already in place.

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 application is conforming to all statutory and regulatory review criteria.
- The applicants provide credible information to explain why they believe the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested 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 approved subject to the following conditions:

- 1. DePaul Adult Care Communities, Inc. and Community Facilities, Inc. shall materially comply with all representations made in the certificate of need application and any supplemental responses. In the event that representations conflict, DePaul Adult Care Communities, Inc. and Community Facilities, Inc. shall materially comply with the last made representation.**
- 2. DePaul Adult Care Communities, Inc. and Community Facilities, Inc. shall relocate no more than 20 adult care home beds from Cardinal Healthcare and Rehabilitation Center for a total of no more than 80 adult care home beds at Wexford House upon completion of the project.**

3. **Upon completion of the project, Wexford House shall be licensed for no more than 80 adult care home beds.**
 4. **Upon completion of the project, Cardinal Healthcare and Rehabilitation Center shall take appropriate steps to delicense the 20 adult care home beds being relocated to Wexford House.**
 5. **Wexford House shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
 6. **For the first two years of operation following completion of the project, DePaul Adult Care Communities, Inc. and Community Facilities, Inc. shall not increase private pay charges more than 5% 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.**
 7. **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, DePaul Adult Care Communities, Inc. and Community Facilities, 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.**
 8. **DePaul Adult Care Communities, Inc. and Community Facilities, 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 20 ACH beds from Cardinal to their existing 60-bed ACH facility, Wexford. Both facilities are in Lincoln County. Once the proposed project is complete, Wexford will have 80 ACH beds and Cardinal will not have any remaining ACH beds.

Capital and Working Capital Costs

In Section Q, page 63, the applicants project the total capital cost of the project, as shown in the table below.

Site Prep/Construction	\$1,354,000
Furniture	\$100,000
Rights to Existing Beds	\$200,000
Professional Fees	\$106,500
Contingency (5%)	\$86,025
Total	\$1,846,525

In Exhibit F.1, the applicants provide the assumptions used to project the capital cost.

In Section F, pages 35-36, the applicants project that start-up costs will be \$10,000 and initial operating expenses will be \$71,000 for a total working capital of \$81,000. On page 36, the applicants provide the assumptions and methodology used to project the working capital needs of the project.

Availability of Funds

In Section F, page 34, the applicants state that the capital costs for the project will be funded by the accumulated reserves of Community Facilities. In Section F, page 37, the applicants state that the working capital costs for the project will be funded by the accumulated reserves of DePaul.

Exhibit F.2 contains a letter dated July 12, 2018, from the CFO and Treasurer of Community Facilities, confirming that Community Facilities will commit approximately \$1,900,000 of accumulated reserves to the capital costs of the proposed project. Exhibit F.3 contains a letter dated July 12, 2018 from the CFO and Treasurer of DePaul, confirming that DePaul will commit up to \$150,000 of accumulated reserves to the working capital costs of the proposed project.

Exhibit F.5 contains the audited financial statements for DePaul Group, Inc. and Affiliates, which includes DePaul and Community Facilities. As of December 31, 2017, Community Facilities had \$2,797,636 in cash and equivalents and DePaul had \$1,133,486 in cash and equivalents. (Per the letter in Exhibit F.3, DePaul is listed as “Adult Care” in the audited financial statements.)

Financial Feasibility

In Section Q, the applicants provide pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.5, the applicants project that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

Wexford House – Revenue and Expenses OYs 1-3 – CYs 2020-2022			
	OY 1 – CY 2020	OY 2 – CY 2021	OY 3 – CY 2022
Total Patient Days	25,141	28,105	28,105
Total Net Revenue	\$1,998,277	\$2,183,643	\$2,183,643
Average Net Revenue per Patient Day	\$79.48	\$77.70	\$77.70
Total Operating Expenses (Costs)	\$1,987,937	\$2,018,913	\$2,018,913
Average Operating Expense per Patient Day	\$79.07	\$71.83	\$71.83
Net Income/(Loss)	\$10,340	\$164,730	\$164,730

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 20 ACH beds from Cardinal, in Lincoln County, to their existing 60-bed ACH facility, Wexford, also located in Lincoln County. Cardinal is a combination skilled nursing facility. According to the 2018 SMFP, Cardinal currently has 63 NF beds and 20 ACH beds. Once the proposed project is complete, Wexford will have 80 ACH beds and Cardinal will not have any remaining 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 Tyrrell, are considered a combined service area.” Thus, the service area for this project is Lincoln County. Facilities may also serve residents of counties not included in their service area.

Table 11A on page 226 of the 2018 SMFP lists seven ACH facilities and two nursing facilities with ACH beds for a total of 381 ACH beds in Lincoln County. Table 11B on page 239 of the 2018 SMFP shows that Lincoln County has a projected surplus of 83 ACH beds.

Lincoln County 2018 SMFP ACH Bed Inventory		
Facility	# of ACH Beds	Occupancy Rate*
Amazing Grace Rest Home	10	60.0%
Boger City Rest Home	52	84.6%
Brian Center Health & Retirement	11	100.0%
Cardinal Healthcare & Rehabilitation Center	20	0.0%
Carillon Assisted Living of Lincoln	96	45.8%
Heath House	60	81.7%
Lakewood Care Center	60	91.7%
North Brook Rest Home	12	100.0%
Wexford House	60	90.0%
Total	381	72.7%

*Source: 2018 LRAs

In Section G, pages 40-41, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved ACH bed services in Lincoln County. The applicants state that most of the existing facilities with ACH beds in Lincoln County have higher utilization rates and those utilization rates demonstrate that the relocation of the existing but not utilized ACH beds at Cardinal will not result in unnecessary duplication of existing or approved ACH beds. On pages 40-41, the applicants state that Cardinal’s ACH beds are not being utilized by choice rather than by lack of demand.

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 ACH beds in Lincoln County.
- Despite a projected surplus of ACH beds, the applicants demonstrate that most existing ACH facilities in Lincoln County have high utilization rates, and therefore show the need to relocate the existing but not utilized ACH beds.

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 reasons stated 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 Q, Form H, the applicants provide current and projected staffing for the proposed services as illustrated in the following table.

Wexford House Current and Projected Staffing				
Position	Current	1st FFY	2nd FFY	3rd FFY
Med Tech Aides	5.6	6.3	6.3	6.3
Personal Care Aides	14.0	17.5	17.5	17.5
Supervisor	4.2	4.2	4.2	4.2
Dietary Manager	1.5	1.5	1.5	1.5
Cooks/Dietary Aides	2.6	2.6	2.6	2.6
Activities	1.0	1.0	1.0	1.0
Housekeeping	1.0	1.0	1.0	1.0
Plant Operation & Maintenance	1.0	1.0	1.0	1.0
TOTAL*	30.9	35.1	35.1	35.1

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 42-43, the applicants describe the methods used to recruit or fill new positions and their existing training and continuing education programs.

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 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 supplemental information, the applicants state that the following ancillary and support services are necessary for the proposed services:

- Pharmacy
- Home Health
- Hospice
- Durable Medical Equipment
- Oxygen
- Licensed Health Professional Support
- Training
- Supplies
- Medical, Psychiatric, Podiatry, and Optometry Services
- Licensed Hairdresser

In supplemental information, the applicants adequately explain how each ancillary and support service is made available.

In Section I, page 44, the applicants describe their existing relationships with other local health care and social service providers.

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
- Supplemental information requested by the Agency
- 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 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 HMOs. 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

The applicants propose to relocate 20 ACH beds from Cardinal to their existing 60-bed ACH facility, Wexford. Both facilities are in Lincoln County. Once the proposed project is complete, Wexford will have 80 ACH beds and Cardinal will not have any remaining ACH beds.

The applicants propose to construct a 7,597 square foot addition onto the existing facility. Line drawings are provided in Exhibit K.1.

On page 47, the applicants adequately explain how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

On page 48, the applicants adequately explain why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On page 48, the applicants identify any applicable energy saving features that will be incorporated into the construction plans and provide supporting documentation in Exhibit B.10.

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 51, the applicants state that 49.9 percent of paid bed days were private pay and 50.1 percent of paid bed days were covered by State/County Special Assistance during the last full fiscal year (CY 2017) prior to submission of the application.

In Section L, page 50, the applicants provide the following comparison.

	Percentage of Total Patients Served by the Facility during the Last Full FY	Percentage of the Population of the Service Area
Female	73.2%	50.4%
Male	26.8%	49.6%
Unknown	0.0%	0.0%
64 and Younger	8.9%	82.5%
65 and Older	91.1%	17.5%
American Indian	0.0%	0.4%
Asian	0.0%	0.7%
Black or African-American	0.0%	5.8%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	98.2%	85.9%
Other Race	1.8%	7.1%
Declined / Unavailable	0.0%	0.0%

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application documents 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 51, the applicants state that they are not obligated to provide uncompensated care, community service, or access by minorities and persons with disabilities.

In Section L, page 51, the applicants state that during the last five years, there have been no patient civil rights access complaints filed against the facility or any similar facilities owned by the applicants or a related entity and located in North Carolina.

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.

- (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 52, the applicants project that 36.4 percent of paid bed days will be private pay and 63.6 percent of paid bed days will be covered by State/County Special Assistance in the third full fiscal year (CY 2022) following completion of the project.

On page 52, the applicants provide the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- The projected payor mix is based on the historical payor mix.
- The applicants state that they project all of the admissions to the relocated beds will be State/County Special Assistance patients.

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.

- (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 53, the applicants adequately describe the range of means by which patients will have access to 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.

- (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 supplemental information, the applicants describe the extent to which area health professional training programs will have access to the facility for training purposes and provide supporting documentation in supplemental information.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

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 20 ACH beds from Cardinal, in Lincoln County, to their existing 60-bed ACH facility, Wexford, also located in Lincoln County. Cardinal is a combination skilled nursing facility. According to the 2018 SMFP, Cardinal currently has 63 NF beds and 20 ACH beds. Once the proposed project is complete, Wexford will have 80 ACH beds and Cardinal will not have any remaining 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 Tyrrell, are considered a combined service area.*” Thus, the service area for this project is Lincoln County. Facilities may also serve residents of counties not included in their service area.

Table 11A on page 226 of the 2018 SMFP lists seven ACH facilities and two nursing facilities with ACH beds, for a total of 381 ACH beds in Lincoln County. Table 11B on page 239 of the 2018 SMFP shows that Lincoln County has a projected surplus of 83 ACH beds.

Lincoln County 2018 SMFP ACH Bed Inventory		
Facility	# of ACH Beds	Occupancy Rate*
Amazing Grace Rest Home	10	60.0%
Boger City Rest Home	52	84.6%
Brian Center Health & Retirement	11	100.0%
Cardinal Healthcare & Rehabilitation Center	20	0.0%
Carillon Assisted Living of Lincolnnton	96	45.8%
Heath House	60	81.7%
Lakewood Care Center	60	91.7%
North Brook Rest Home	12	100.0%
Wexford House	60	90.0%
Total	381	72.7%

*Source: 2018 LRAs

In Section N, pages 55-56, 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 cost-effectiveness, quality, and access to the proposed services. On page 55, the applicants state:

“This proposal offers opens [sic] an opportunity for admission to new ACH beds, but at rates that are consistent with the existing 60 beds at Wexford House. Accordingly, there is already substantiated market demand for patients at room and board rates that have generated well above 90% occupancy in the existing Wexford House. Since these new beds will be a viable and affordable option for any patient seeking an ACH bed in Lincoln County, competitors will have to maintain both their pricing and their quality of care to properly compete with Wexford House and its newly proposed ACH beds.”

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

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 A, page 13, the applicants identify the ACH facilities located in North Carolina owned, operated, or managed by the applicants or a related entity. The applicants identify a total of 11 ACH facilities located in North Carolina.

In Exhibit O.3, the applicants state that, during the 18 months immediately preceding the submittal of the application, there was one incident related to quality of care at one facility (Wexford). The applicants state that the problem has been corrected and the facility is back in compliance. Supporting documentation is provided in Exhibit O.3. According to the files in the Adult Care Home Licensure Section, DHHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in any of these facilities. After reviewing and considering information provided by the applicants and by the Adult Care Home Licensure Section and considering the quality of care provided at all 11 facilities, the applicants provide 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.

C

The application is conforming with the Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below.

SECTION .1100 – CRITERIA AND STANDARDS FOR NURSING FACILITY OR ADULT CARE HOME SERVICES

10A NCAC 14C .1102 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

-NA- The applicants do not propose to add nursing facility beds to an existing facility.

- (b) *An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

-NA- The applicants do not propose to establish a new nursing facility or add nursing facility beds to an existing facility.

- (c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

- C- In Section C, page 27, the applicants adequately demonstrate that the average occupancy of Wexford over the nine months immediately preceding the submittal of the application was at least 85 percent.

- (d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

- C- In Section Q, on Form C, the applicants project that the proposed facility will have an occupancy rate of 96 percent by the end of the second operating year following project completion. The applicants provide the assumptions and methodology to project utilization in Section Q following Form C. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.